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Russian Foreign Policy

Sources and Implications

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Preface

As Russia's economy has grown, so have the country's global involvement and influence. Often, this involvement and influence take forms that the United States neither expects nor likes, as the August 2008 conflict between Russia and Georgia demonstrated. In the United States, policymakers and analysts face an imperative to understand what U.S. interests in Russia are and how they might develop as Russia's own approaches become more defined. Despite the two countries' many disagreements and the rising tension between them, the United States and Russia share some key interests and goals.

This study, conducted within RAND Project AIR FORCE's Strategy and Doctrine Program, assesses Russia's strategic interests and the factors that influence Russian foreign policy broadly. It examines Russia's domestic policies, economic development, and views of the world. U.S. interests are then considered in that wider context. We hope that this assessment generates a better understanding of Russia's viewpoints and thus informs U.S. policy option choices. The research was sponsored by the United States Air Forces in Europe, Director, Plans and Programs (USAFE-A5/8). It presents the results of the study "The View from Moscow: A Strategic Assessment."

This monograph should be of interest to policymakers and analysts involved in international security and U.S. foreign policy, particularly U.S. policy toward Russia. It will also be of interest to Russia watchers all over the world. Note that the analysis in this monograph is based on more than a year of research, which included travel to Russia and extensive interviews with a wide range of specialists. Research in

support of this monograph was completed in spring 2008. Some material was updated, however, as late as January 2009.

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Summary

To any time-traveling student of the Soviet Union or any Russia watcher of the 1990s, today's Russia would be unrecognizable. The Russia that has reemerged as a foreign policy challenge for the United States today is significantly different from the Russia of the recent past—it is wealthier, more stable, increasingly less democratic, and more assertive globally. If U.S. policymakers hope to work with Russia on key foreign and security policy goals, they must be aware of how these goals do or do not align with Russia's own interests. If they would like to see closer alignment between Russia's choices and U.S. priorities, they need to understand the basis of Moscow's foreign and security policy decisions, how Russian foreign policy goals may evolve, and how decisions are made in Russia. If they hope to influence Russian policies, whether through sticks or through carrots, they must know what Russian responses to such incentives will be. This knowledge can help explain where cooperation is and is not possible and where more-confrontational postures may or may not be of value.

This monograph analyzes the domestic and economic sources of Russian foreign and security policies. It then fleshes out Russian foreign and security policy interests, goals, and approaches. It concludes with an assessment of how Russia's foreign and security policies and capabilities may affect the United States and the U.S. Air Force.

Domestic Issues

Domestic political measures put in place during Putin's presidency have changed how the Russian government functions and how it rules. The elimination of elections for regional governors and the upper house of parliament and increasing government intervention in national elections for the State Duma and the presidency have diminished the government's accountability to Russian citizens. Whether the hyper-centralism of the Kremlin under Putin will mellow as Russia's new president, Dmitri Medvedev, finds his feet is unclear. At present, Putin, now prime minister, remains very much in charge. Moreover, however the distribution of power evolves, the new Russian government is unlikely to diverge much from the current domestic political trajectory. Decisionmaking is likely to remain opaque and will be shaped, in large part, by competition among the various interest groups in power. (See pp. 9–28.)

Popular opposition to the new government will remain weak. Not only have civil liberties been limited in the last few years, but there is little public appetite for what little dissent survives. The vast majority of Russians see the current state of affairs as a substantial improvement over the Russia of the 1990s, and most take pride in the Russian state for restoring Russia as an independent power. (See pp. 18–21, 42.)

Population change and ethnic conflict are potential sources of domestic instability in Russia. As its population contracts, Russia may be forced to consider trade-offs in spending on health care, pensions, education, infrastructure, and security. Immigration may offset the decline in the Russian workforce, but most migrants are not ethnic Russians. Rather, they come from Russia's southern periphery at a time when the share of ethnic Muslims in the total population is rising overall. The Kremlin's failure to crack down on patriotic-nationalistic and even xenophobic activities exacerbates ethnic tensions. Indeed, Russia's largest domestic security threat is the increasing violence in its economically underdeveloped and predominantly Muslim North Caucasus. (See pp. 28–41.)

The Economy

Following the collapse of the ruble in 1998, the Russian economy grew at an average annual rate of 6.7 percent through 2007. The ability of Russian consumers to purchase imported consumer goods has grown even more rapidly: Annual gross domestic product (GDP) growth in dollar terms averaged 26 percent over this period as the ruble strengthened against the dollar. Underneath the glitz of the oil and gas economy, economic development has followed patterns seen in other transition economies. Telecommunications, restaurants, retailing and wholesaling, and tourism grew rapidly. Banking boomed. It is these sectors—not oil and gas—that have been driving growth. Since 1998, increases in the dollar value of oil and gas exports may have contributed perhaps one percentage point to Russia's average annual GDP growth rate. (See pp. 44–55.)

However, Russia's very rapid rates of growth in dollar GDP and incomes have come to an end. Even absent the economic crisis that hit Russia and much of the world in the third quarter of 2008, growth was poised to slow. The bounce back from the depths of the recession of the 1990s is over. The ruble depreciated in the fall of 2008 and is unlikely to appreciate rapidly in coming years. The extent to which growth slows will depend on whether the Russian government becomes more efficient, effective, and accountable and less corrupt. Even as growth moderates, however, Russia is poised to become one of the four largest economies in Europe by 2025. Incomes will continue to grow across the country, and the middle class will expand. Slower growth could nevertheless have political repercussions, including a decline in the popularity of the Medvedev-Putin government, less (or more) Russian hubris in relations with the West, and slower growth in Russian defense spending. (See pp. 55–60.)

Meanwhile, the boom made it possible for the country to spend more, including on defense. Overall Russian defense spending was \$32 billion in 2007, an amount equal to 2.6 percent of GDP.¹ Spend-

¹ Unless otherwise noted or clearly used in the context of a different (and indicated) period, currency is expressed in summer of calendar year 2008 terms.

ing on internal security (i.e., police, the Federal Security Service, and Ministry of the Interior troops) was even higher than that on defense. Indeed, spending on internal security has grown very rapidly—more rapidly than defense spending (which has not kept pace with economic growth). Much of Russia's defense budget has been devoted to personnel costs, decommissioning programs, and military transformation. (See pp. 61–72.)

Replacement of military hardware remains painfully slow. Although procurement (a small portion of the defense budget) is growing, Russia's defense industry relies on arms exports to stay in business. Russia is one of the world's largest arms exporters, although it trails the United States. China and India are its most important customers. (See pp. 72–82.)

Russia could spend far more on defense than it currently does. Russian policymakers appear to have made a conscious decision to moderate growth in defense spending because of doubts about whether a bigger budget would be spent wisely. And while the Russian government has expressed the intent to spend more on defense in the future, it is not clear how feasible this will be in light of current economic constraints. (See pp. 69–72.)

Foreign Policy

Russia's current foreign policy is focused on bolstering Russia's prestige, supporting economic recovery and growth, and more effectively demonstrating power to keep Russia secure and able to pursue its policy goals. Although no enemies are poised to attack or threaten the country militarily, Russia's leaders remain concerned about the country's long-term safety. They worry that the current security situation will not last, just as they worry about a reversal of domestic stability and economic growth. They believe that Russia must build and retain its prestige now to ensure that it can defend its interests into the future (see pp. 83–93).

As the Russian government seeks to enlarge its influence internationally, it finds those actions and policies of other states that might

limit Russia's influence threatening. This is particularly true of the actions and policies of the countries on Russia's periphery, where Russia's influence, although not as extensive as Moscow might wish, is still strongest and where Russia sees some of the most immediate threats to its security. Moscow's worries have long focused on the possibility that political instability in a neighboring country will involve Russia in violent unrest. Russia also fears that political change in those countries is a harbinger of instability to come within its own borders. Moscow's willingness to take action to defend its influence in the region in light of these concerns was clearly demonstrated in the conflict between Russia and Georgia in August 2008. (See pp. 93–104.)

Russian foreign policy priorities are also linked to its trade ties. In this context, the "Near Abroad" is important (see p. 94), but Europe is crucial.² Although the Russian government has rejected many aspects of the European democratic model, Russian leaders and Russians still see themselves to a large extent as European. Because relations with the European Union (EU) have often been tense in recent years, Russia has focused its efforts on building bilateral ties with key countries, perhaps most successfully with Germany, and, outside the EU, with Turkey (see pp. 105–113).

Russia's efforts to turn itself into a respected "great power" have been more successful in some cases than others. Attempts to use supplies of natural gas and oil as a foreign policy lever in particular countries, even when those countries depend almost exclusively on Russia, have tended to backfire, as exemplified by Russian relations with Georgia and Ukraine. Moreover, rhetoric invoking the energy lever and cutoff of natural gas has worried Russia's main European customers. These buyers are as important to Russia as Russia is as a supplier to Ukraine. Moscow's willingness to use military force against Georgia in August 2008 has heightened tensions between Russia and many of its crucial partners as well, although the conflict has also demonstrated

² Many Russians refer to the other states that emerged from the collapse of the Soviet Union as the "Near Abroad." Because this monograph focuses on Russia's views of the world and its foreign policy, we will use this terminology. We intend no political commentary by its use.

clearly that Russia is not likely to be swayed by diplomatic pressure and that it now feels it has sufficient prestige to defend and define its interests as it feels appropriate. (See pp. 95–102, 107, 110.)

Russia's focus on enhancing its international prestige and building economic relations has led it to become more involved in Asia and the Middle East. China is a key partner despite residual distrust on both sides, but other aspects of Russia's Asia policy remain underdeveloped. In the Middle East, Russia has played an important role in relation to efforts to curtail Iran's nuclear weapons program, and Moscow seeks a seat at the table on other key issues. This is, of course, in line with its overall global ambitions. (See pp. 113–122.)

Russia's relations with the United States have become rockier in recent years, in great part because the Russian government feels that U.S. policies undercut Russia's prestige and power. U.S. criticism of Russia's domestic policies, U.S. plans for missile defense, and U.S. efforts to spread democracy to countries on Russia's borders have led Russian leaders to conclude that the United States has been acting contrary to Russia's interests. From Moscow's point of view, the Orange Revolution in Ukraine and the Rose Revolution in Georgia were not popular responses to contested elections but coups, precipitated by Western meddling, that replaced the previous governments with pro-Western ones. These "coups" are seen as part of a Western, and particularly U.S., effort to undermine Russian influence in states near Russia and change the government of Russia itself. Perceptions of U.S. support for Georgia during the August 2008 conflict and what was seen in Russia as biased Western reporting on the crisis have further fed distrust and hostility toward the United States among Russians. Similarly, Russia's actions during that crisis have led many in the United States to distrust and blame Russia. (See pp. 126–131.)

Although the United States and Russia share some common interests and goals, many of these common issues (especially defeating transnational threats) are more important to Washington than to Moscow. Russia enhances its prestige by working with the United States on these issues, but there is also much to be gained, at home and abroad, from standing up to Washington, for instance by espousing

policies of nonintervention in other countries' domestic affairs. (See pp. 122–126, 130–131.)

Security Policy

Russia appears to be focused on building a strong internal security apparatus and the military capacity to win small local wars. It retains its nuclear arsenal in part to respond to greater threats. This focus reflects the most likely dangers Russia faces: low-level conflicts within the country and small-scale actions nearby (as in Georgia). It also mirrors Russian leaders' fear of dissent and opposition. As noted, in recent years, internal security forces have been getting an ever-larger share of the budget. (See pp. 143–145.)

Russia's armed forces today fall below the standards Russia might desire. Military technology receives some investment, but deployment of new systems lags tremendously. As part of a broad reform effort, the Russian Ministry of Defense is transforming the army from a predominantly conscripted force to one staffed by professional volunteer soldiers (with a goal of recruiting most of them from the conscript pool). Because the number of 18-year-old males in Russia will halve over the next decade, and given Russia's plans to winnow its oversized officer corps, Russia will experience great difficulty in maintaining the force of 1 million people that its leaders have said the country requires. (See pp. 145–158.)

Larger defense expenditures are evident in the Russian Air Force's increased training and flying time and in the increased amount of money available for parts and maintenance. The recent resumption of Bear-H bomber flights in the Atlantic and Pacific theaters is one consequence of these changes. Procurement is also rising throughout the defense sector, but new aircraft, ships, and air defense systems are being added slowly. (See pp. 158–162.)

The modernization of Russia's nuclear forces is also proceeding slowly. As its core missile force ages and degrades and as the United States develops ballistic-missile defenses, the Russian government is growing increasingly concerned about the capacity of Russia's nuclear

force to effectively deter the United States. For these reasons, there will be many advantages to the Russian government negotiating a follow-on agreement to the Strategic Arms Reduction Treaty (START) I to ensure continued numerical parity with the United States. In this context, Russia may well seek to maintain the intrusive START verification mechanisms that have given Moscow confidence that Washington is abiding by its arms control commitments. (See pp. 162–174.)

Implications for the United States and the U.S. Air Force

Russia's higher confidence will continue to create challenges for U.S. policymakers. Although there is no real threat of armed conflict between Russia and the United States, poor relations will make it more difficult for the United States to achieve its global foreign policy goals. As the Georgia crisis showed, the two countries' disagreements on a variety of foreign policy priorities and approaches are in danger of spiraling into hostility. It also showed that the United States currently holds little leverage over Russian policy. Only a few of Washington's mechanisms for "punishing" Moscow can avoid prompting Russia to hit back in ways that are more harmful to the United States. A hostile Russia would create problems for the United States in Europe, the Middle East, and Asia and with U.S. allies and enemies. A Russia unwilling to cooperate on denying Iran and North Korea nuclear weapons could derail efforts to halt proliferation. If Russia refuses to cooperate on fighting transnational threats, the United States will find it much more difficult to defang these threats. Poor relations with Russia would also make it even more difficult for the United States to sway Russia toward more-democratic domestic policies and more-congenial foreign policies. (See pp. 177–180.)

The U.S. goal must therefore be to improve relations with Russia and build on shared views and shared interests, rather than to seek to utilize coercive mechanisms that can easily backfire. Although this is a challenging proposition, there are steps that the United States can take. For example, the United States may be able to improve relations with Russia by ceasing to promote pipeline routes that circumvent Russia.

It should focus instead on what is most viable economically, including routes through Russia as well as around it (see pp. 187–188). The United States can also use its relationships with Russia and Russian neighbors to encourage all of these states to develop cooperative and healthy relationships with one another (see pp. 184–185). The United States would also be well-served by efforts to coordinate policy toward Russia with its European allies and by working with Russia to the extent possible in the European context (see pp. 186–187). Another key policy shift would be to vigorously pursue new arms control agreements and to take a more transparent approach to missile defense, focusing on consultations with Russia as plans and approaches are developed (see pp. 188–189). This would mean being open to a START I follow-on treaty and to new discussions about the Treaty on Conventional Armed Forces in Europe, the Intermediate-Range Nuclear Force Treaty, missile defense agreements, and other areas (see pp. 189–190). The United States should take at face value Russia's expressed concerns about missile defense, which stem at least in part from genuine security worries, and work to alleviate those worries through consultations and negotiations. These discussions and negotiations could be useful in and of themselves by ensuring, and visibly so, that the United States takes Russia's strategic interests seriously. Furthermore, they could lead to a new arms control framework between the two countries, thereby limiting the proliferation of dangerous weapons and making the world safer (see pp. 188–190).

Consistent, high-level consultative mechanisms like the Gore-Chornomyrdin Commission of the 1990s could improve relations and generate progress on a number of issues, including those described in the previous paragraph. By raising disagreements at such a high level, these consultations would assuredly result in follow-on action. Even if problems could not be resolved through consultation, the mechanism itself could help each state better understand the other's position and keep disagreement from spiraling (see pp. 192–193). Military contacts, particularly high-level visits, could serve similar functions at all levels of the Russo-U.S. security relationship (see pp. 190–192). Global initiatives, such as economic development in poorer countries, coordinated responses to the global economic situation, and climate change, are

becoming more important to Russia and thus are also areas of potential cooperation (see p. 192). “Graduating” Russia from the Jackson-Vanik Amendment provisions (the requirements of which it has long ago met) and easing visa requirements so that more Russians are able to visit the United States would build trust (see p. 193).

Although relations with Russia will be difficult for the foreseeable future, these policy changes could lay the groundwork for progress. If they do not, the United States must also be prepared to deal with a recalcitrant Russia. Indeed, even in the optimistic case of general cooperation between the two states, the United States and Russia will continue to disagree on a wide range of key issues. If relations between the two states go downhill, one of the priorities of U.S. policy will have to be finding ways of keeping poor relations with Russia from turning into adversarial ones. (See pp. 194–196.)

The U.S. Department of Defense and the U.S. Air Force have important roles to play in the effort to improve ties, in thinking about how to manage relations with an unfriendly Russia, and in simply working with a Russia that sometimes agrees with U.S. goals and sometimes does not. Military contacts and arms control are key to the overall relationship, as noted above, and the Air Force has been and will continue to be a leading organization in this realm. However, the Air Force, like the United States as a whole, cannot assume that Russia, or any other state, can always be talked around to the U.S. point of view. Accordingly, consistent and continuous contingency planning is required. The U.S. Air Force should be prepared, for example, for limits on U.S. access throughout the region. This is one of the challenges that a more independent, strong, and forceful Russia will present to U.S. foreign policy goals throughout the world. (See pp. 183–184, 188, 192, 195–196.)

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Abbreviations

ABM	anti-ballistic missile
bcm	billion cubic meters
CEC	Central Election Commission [Russia]
CFE	Treaty on Conventional Armed Forces in Europe
CIS	Commonwealth of Independent States
CPRF	Communist Party of the Russian Federation
CRS	Congressional Research Service
CSTO	Collective Security Treaty Organization
DoD	U.S. Department of Defense
DTIB	defense technology base [China]
ECHR	European Court of Human Rights
EIA	Energy Information Administration [U.S. Department of Energy]
EU	European Union
EurAsEC	Eurasian Economic Community
FMS	Federal Migration Service [Russia]
FSB	<i>Federalnaya Sluzhba Bezopasnosti</i> [Federal Security Service]

G8	Group of Eight
GDP	gross domestic product
ICBM	intercontinental ballistic missile
IEA	International Energy Agency
IISS	International Institute for Strategic Studies
IMF	International Monetary Fund
INF	Intermediate-Range Nuclear Force Treaty
KGB	<i>Komitet Gosudarstvennoy Bezopasnosti</i> [Committee for State Security]
LDPR	Liberal Democratic Party of Russia
mbd	million barrels per day
MIRV	multiple independently targetable reentry vehicle
MOD	Ministry of Defense [Russian Federation]
NATO	North Atlantic Treaty Organization
NGO	nongovernmental organization
NMD	national missile defense
O&M	operations and maintenance
OSCE	Organisation for Security and Co-operation in Europe
PAF	RAND Project AIR FORCE
PPP	purchasing power parity
R&D	research and development
SCO	Shanghai Cooperation Organization
SITC	Standard International Trade Classification

START	Strategic Arms Reduction Treaty
UES	United Energy System
UN	United Nations
USAFE-A5/8	United States Air Forces in Europe, Director, Plans and Programs
VVS	<i>Voyenno-vozdushnye sily Rossii</i> [Russian Air Force]
WMD	weapon of mass destruction
WTO	World Trade Organization

Introduction

A New Russia

To any time-traveling student of the Soviet Union or Russia watcher of the 1990s, today's Russia would be unrecognizable. The Russia that has emerged today as a foreign policy challenge for the United States is significantly different from the Russia of recent decades. Stunning economic growth since the ruble crisis of 1998 has translated into extraordinary increases in personal incomes and consumption. Average per capita gross domestic product (GDP) in Russia has grown from \$1,312 in 1999 to \$8,842 in 2007.¹ Despite the worries driven by the economic downturn that became evident in late 2008, there is every reason to believe that even with a much lower price of oil, Russian growth will, for the most part, recover and continue.

As Russia has grown wealthier over the last decade, it has also become progressively less democratic. Elections and politics have become increasingly managed. The authorities have been tightening constraints on free speech and assembly. Public opinion surveys suggest that most Russians see their increasingly autocratic government as having delivered stability and growth. They support that government and are increasingly proud of their country.

They are particularly supportive of Putin, who in May 2008, at the end of his second term, stepped down as president and handed the office to his handpicked successor, Dmitri Medvedev. About 70 percent

¹ Unless otherwise noted or clearly in the context of a different (and indicated) period, currency is expressed in summer of calendar year 2008 terms.

of the electorate turned out for the presidential election, and Medvedev was elected with about 70 percent of the vote. Those who dared challenge him for the job faced great difficulties in campaigning and getting their views heard, to say nothing of getting their names on the ballot. It is a testament to the success of Putin in consolidating support while constraining opposition in the years prior to this election, that even had the election been much freer, with equivalent media access and funds for all candidates, Medvedev would almost certainly still have won handily.

Putin himself did not go quietly into retirement after handing over the presidency, of course. He has become prime minister within the very strong presidential system he created. The Russian government is now headed by an institutionally powerful president constrained by personal and political loyalty to his prime minister; Medvedev is surrounded by people loyal to Putin, at least for the time being.

Russia's Security Outlook

Russia's economic growth and political consolidation have been facilitated by a period of relative security from foreign threats. Russia faces no real risk of foreign attack. The most worrisome threats to Russia's physical security are internal and stem from the deteriorating security situation in the North Caucasus.

Despite Russia's benign international environment, Russia's leaders do not feel that their country is secure. Just as their efforts to constrain domestic political opposition reflect the fear that a more pluralistic political system would threaten their hold on power, Russia's leaders seem worried that the international environment poses threats as well. Senior Russian officials have issued statements indicating their belief that Russia exists in a dangerous international environment and that actions by the United States and other Western countries threaten Russia's security. On one hand, Russia's efforts to improve its international standing in its immediate neighborhood and beyond have successfully shown that Russia's actions and interests once again have global significance. On the other hand, leaders in the West and on Russia's borders often find Rus-

sia's actions belligerent and confusing. As Russia's conflict with Georgia in August 2008 demonstrated, the risks of global crisis are real.

U.S. Security Interests

Russia remains important for the United States, and not just because of its nuclear arsenal and geographic size and position.² As U.S. policy focuses increasingly on countering transnational threats, such as the proliferation of nuclear weapons and global terror networks, the United States needs Russia, as well as other partners. Without cooperation from Russia, transnational threats and the dangers of proliferation cannot be opposed effectively.

The importance of Russia to achieving U.S. foreign policy goals, the rollback of domestic political freedoms in that country, Russia's seemingly belligerent foreign policies, and its increasingly hostile attitudes to the United States have caused U.S. and European policymakers to reevaluate their approaches toward Russia. Policy changes on the part of the United States, they have argued, can help convince Russia's leaders to take different approaches at home and abroad.³

Any change in U.S. policies toward Russia should be based on an analysis of how Russia is likely to respond. This requires an understanding of the reasons behind Russia's policy choices and how these choices may evolve. If U.S. policymakers hope to persuade or compel Russia's leaders to make decisions that are more in line with U.S. interests, they need to understand how foreign and security policy decisions are made in Russia. Moreover, U.S. policymakers need to be aware of how U.S. foreign and security policy goals align with Russia's own choices and interests. Such an understanding will help explain where cooperation

² See The White House, *The National Security Strategy of the United States of America*, 2006, although this document notably does not mention the nuclear issue with respect to Russia. This issue is discussed, however, in John Edwards and Jack Kemp, "Russia's Wrong Direction: What the United States Can and Should Do," Council on Foreign Relations, Independent Task Force Report No. 57, March 2006.

³ See, for example, Edwards and Kemp, 2006.

is and is not possible, and where more confrontational postures may or may not be of value.

Research Approach

Sources of Russian Foreign Policy

Understanding the sources of modern Russian foreign policy is challenging. Many Westerners greeted the foreign policy of the early Yeltsin years as a sign of Russia's progress and alignment with the West. When Russian and Western policies began to diverge after the appointment of Yevgeniy Primakov as Russia's foreign minister in 1996, foreigners began to find Moscow's policies either hostile or unpredictable. Foreign policy under Putin also evolved. Russia's initial effort to improve relations with Western powers yielded to increased Russian distrust of the goals and interests of the United States, with a brief period of rapprochement occurring in the wake of the September 11, 2001, al Qaeda attacks on New York City and Washington, D.C.⁴ Now that Putin has been succeeded as president by Medvedev and taken on a new leadership role, the question of what will drive Russian foreign policy decisionmaking takes on renewed importance.

Some in the West argue that Russia's domestic and foreign policies are driven primarily by the amount of short-term personal (primarily financial) gain a small handful of people can achieve. These individuals, it is presumed, are in or closely tied to the Russian government.⁵ As

⁴ See Lilia Shevtsova, *Lost in Transition: The Yeltsin and Putin Legacies*, Washington, D.C.: Carnegie Endowment for International Peace, 2007, Chapter One. See also Aleksei Bogaturov, "Tri Pokoleniya Vneshnepoliticheskikh Doktrin Rossii [Three Generations of Russian Foreign Policy Doctrines]," *Mezhdunarodiye Protsessi*, Vol. 5, No. 1, 2007, pp. 54–69. For a Russian view of U.S. perceptions of Russian foreign policy, see T. A. Shakleyina, "Rossiia i SShA v Mirovoy Politike [Russia and the USA in World Politics]," *SShA-Kanada, Ekonomika, Politika, Kul'tura*, No. 9, September 2006, pp. 3–18.

⁵ Celeste Wallander calls this phenomenon "patrimonial authoritarianism" (Celeste Wallander, "Russian Transimperialism and Its Implications," *The Washington Quarterly*, Vol. 30, No. 2, Spring 2007, pp. 107–122). Several Russian and Western analysts also expressed this view during interviews in 2006 and 2007.

a consequence, Russia's foreign policy sometimes appears consistent, but fails to reflect Russia's real policy interests.

Other analysts argue that Russia's foreign policy, whatever its source, is fundamentally in conflict with U.S. goals. These analysts contend that Russia is determined to exercise, through political and economic means, a sphere of influence in its "Near Abroad,"⁶ especially by manipulating energy supplies and prices. If necessary, Russia will also use military coercion, as analysts argue was demonstrated by its attack on Georgia in August 2008. Moreover, Russia is seeking—and finding—partners that share its viewpoints, including its desire to counter U.S. influence. For example, these analysts believe that Russia's relationships with China and Iran are driven to a great extent by Russia's urge to counter U.S. efforts to encourage the countries of the "Near Abroad" to be more independent.⁷

We find that Russia's foreign policy better represents Russia's interests than the first set of analysts would argue, and that it is more nuanced and less overtly hostile to the United States than the second group might believe. Russia's foreign policy, like Russia's domestic policy, can be seen as a responsive and evolutionary effort to define and advance the country's national interests; sometimes this effort has been effective, sometimes not. Although the personal interests of key actors play a role in how policy is developed, other factors dominate. Russia's foreign policy may often run counter to U.S. interests, but hostility to the United States is not the sole or even the primary force driving Russia's decisions and actions.

We find that Russia's foreign policy is driven, as its leaders say, by the same goals as the country's domestic policy. The first of these goals is to cement and strengthen Russia's economic resurgence in order to keep growth at home on track. The second is to ensure that Russia can attain and sustain the international prestige that will enable it to

⁶ Many Russians refer to the other states that emerged from the collapse of the Soviet Union as the "Near Abroad." Because this monograph focuses on Russia's views of the world and its foreign policy, we will use this terminology. We intend no political commentary by its use.

⁷ Stephen Blank, "The NATO-Russia Partnership: A Marriage of Convenience or a Troubled Relationship?" *Strategic Studies Institute U.S. Army War College*, November 2006.

(1) defend and pursue its interests into the future and (2) maintain the security and growth that it has enjoyed in recent years. Russia's foreign policy is the foreign policy of a comparatively safe state that fears that safety will not last. It is also the foreign policy of a state that can be short-sighted and too willing to use belligerence at times when a softer approach might more effectively achieve its goals.

Methodology

We reached these conclusions through more than one year of research conducted by an interdisciplinary team that included RAND specialists in Russian society, security policy, and politics, economics, and transitions. Our team began its research by asking whether Russia's domestic political development and economic evolution could have important things to tell the United States about Russian foreign policy. Agreeing that this line of research would be fruitful, we decided to assess both the political and economic directions of the country and the demographic factors that are crucial to these two paths.

We then traced the implications of Russia's security concerns for foreign policy choices and priorities. We were also able to trace these policy approaches and concerns in Russian defense and security policies. Combining this assessment of goals with an analysis of Russian doctrinal thinking and resource commitments, we were able to draw some conclusions about the current state and possible future directions of Russia's security policies and institutions.

We also undertook a substantial survey of the Russian- and English-language literature that treats Russian political, economic, foreign, and defense policies; we focused particularly on Russian sources. We studied the Russian popular press; official government statements; academic critiques; local, national, and international nongovernmental organization (NGO) reports; and polling data. Western sources, including media, expert analysis, and government statements, helped frame and inform our own analyses. We used economic and statistical analysis to assess the sources of Russia's economic growth and project potential future growth paths, and developed a model to predict the possible future size and shape of the Russian armed forces.

Finally, we spoke with dozens of analysts in the United States and Russia about Russia's evolution and Russo-U.S. relations. Because we promised confidentiality to a number of our interlocutors, none are named in this monograph. Most of the discussants come from the analytical community rather than Russian government policymaking circles, although some have close links to the government of the Russian Federation in various capacities.

Monograph Outline

This monograph presents the results of the full scope of our analysis. We begin Chapter Two with a discussion of current and future Russian domestic issues, including the changes that have taken place in Russia's governmental structures and population. We turn in Chapter Three to Russia's economic situation and the resources Russia's government can bring to bear in implementing its foreign and security policies. Chapter Four builds on these analyses to define the factors that drive Russia's foreign policy interests, goals, and approaches; we also identify factors that could change these interests, goals, and approaches in the future. Chapter Five examines Russia's defense and security policies and how they do and do not align with Russia's domestic and global goals. Chapter Six concludes with an assessment of the implications of the Russia of today and of the future for U.S. interests. In that context, it considers the role of the U.S. Air Force in addressing related emerging challenges.

Russia's Domestic Situation

Knowledge of Russia's key domestic issues is useful to developing an understanding of Russia's foreign policy. Domestic politics inform, influence, and constrain the foreign policy-making process and its outcomes. This chapter begins by examining changes and trends related to Russia's domestic political scene and decisionmaking structures. Political and institutional changes undertaken by Putin over the past eight years have altered both how the government functions and how it interacts with Russian society. As decisionmaking and power structures in Russia continue to shift, these changes will affect Russian policies at home and abroad. The chapter then considers potential sources of instability in population trends and ethnic conflict that could also affect Russian foreign policy.

Politics in Putin's Russia: Centralization and Control

A Strong Executive

Perhaps the most salient change in Russia's government over the past decade has been Putin's successful drive to concentrate power in the presidency. Solidifying the *vertikal vlasti* (the vertical line of political authority originating with the president and extending down successively to the levels of federal, regional, and city administration) was one of Putin's explicit goals when he assumed office in 2000. Toward this end, Putin has enacted a number of measures to restructure the federal and regional governments. Critically, appointments, rather than elections, have become the preferred method for bringing individuals into

political office—from regional governors to deputies in the upper house of parliament (known as the *Federation Council*) to plenipotentiary representatives (*polpreds*) of Russia's seven federal districts. A number of Putin's appointees seem to have been chosen not so much on the basis of their qualifications but rather because of their loyalty to Putin himself. Examples include Vladimir Churov, a Duma deputy with no legal education who was made chairman of the Election Council; Anatoly Serdyukov, a former tax inspector who was appointed defense minister, ostensibly to clean house; and Viktor Zubkov, a little-known deputy finance minister who became prime minister in September 2007 (and subsequently gave up the job to Putin himself). The preference for appointments extends to the very top of the government, now that both Yeltsin and Putin have designated a successor as part of Russia's presidential election process.

A strong executive is an important component of the Kremlin's prevailing ideology of *sovereign democracy*. This term was first floated in February 2006 by Putin's deputy head of administration, Vladislav Surkov. The three tenets behind Putin's public policy, Surkov explained, were democracy, the sovereignty of the Russian state above all, and material well-being.¹ Sovereign democracy and the tightening of central control are prime examples of the rising levels of autocracy in Russia cited by Western and Russian critics.²

Another component of centralization is the elimination of checks and balances within the political system. A number of the changes that have been made to Russia's parliament, judiciary, and regional governments have left decisionmaking in Russia more opaque and less accountable.

¹ Surkov's writings and speeches on the subject of sovereign democracy can be found at United Russia Political Party, home page, undated.

² See Masha Lipman, "Putin's Sovereign Democracy," *The Washington Post*, July 15, 2006; and Vladimir Frolov, Andrei Lebedev, Alexander Rahr, Sergei Shishkarev, and Andrei Seregin, "Russia Profile Experts Panel: The Debate over Sovereign Democracy," *Russia Profile*, September 22, 2006.

Parliament and Political Parties

Beginning with the 2007 parliamentary elections, deputies to Russia's lower house of parliament, the State Duma, are elected to office through a proportional system based solely on political parties. Voters no longer vote for individual politicians but for parties, whose leadership can change the candidates on their list or rearrange their order. In contrast to previous elections for the Duma, the threshold for a party's inclusion in parliament is now to 7 percent of the national vote, multi-party blocs are not permitted, and deputies who switch parties following an election forfeit their seats. As noted above, delegates to the upper house of parliament, the Federation Council, are no longer elected but are appointed by the president.

These changes are significant. Candidates for the Duma can no longer run as independents. Duma deputies face severe penalties for opposing their party's line. Of the political parties that were functioning in Russia in 2006, fewer than half were able to meet the stricter requirements governing participation in the 2007 election season.³ These criteria were designed by the Kremlin to prevent the more-independent political voices from winning seats in the Duma. Of those political parties that did meet the new requirements, only four won seats in the 2007 Duma: United Russia, the Communist Party of the Russian Federation (CPRF), the Liberal Democratic Party of Russia (LDPR), and the recently formed A Just Russia.⁴ Russia's two largest traditionally liberal parties, *Soyuz Pravikh Sil* [Union of Rightist Forces] and *Yabloko*, failed to garner sufficient support during the past two elections to receive representation in the Duma. The opposition bloc Other Russia and its constituent parts were denied registration as official parties and were ineligible even to field candidates. The range

³ To register to participate in elections, a party must demonstrate (1) nationwide membership of at least 50,000 and (2) the presence of regional branches with 500 members in at least 45 of Russia's 89 regions. See Petra Stykow, "Russia at the Crossroads? The Realignment of the Party System," *Russian Analytical Digest*, No. 19, April 17, 2007.

⁴ For a list of the parties, see Federal Registration Service of the Russian Federation, "List of Political Parties Meeting the Requirements of Point 2 of Article 36 of the Federal Law 'On Political Parties,' as of September 5, 2007," Web page, undated.

of voices represented in parliament is narrow and, on the whole, pro-government.

During the October 2007 Duma elections, Putin endorsed United Russia, widely hailed as the “party of power,” by agreeing to lead the party’s candidate list without officially joining the party. United Russia went on to receive 64 percent of the national vote and took 315 of 450 Duma seats, more than enough to amend the constitution or override a legislative rejection by the Federation Council. The CPRF, LDPR, and A Just Russia party trailed distantly with 11.6 percent, 8.1 percent, and 7.7 percent of the votes, respectively. A Just Russia, the new player on the political party scene, was founded in October 2006 when three small parties merged into a self-proclaimed pro-government party. There was some speculation at the time that the Kremlin was cultivating a two-party political system, and that A Just Russia would become a left-leaning rival to United Russia. A Just Russia received 15 percent of the vote in the regional elections held in March 2007, and party leader Sergei Mironov announced his goal of beating United Russia in the Duma.⁵ The party’s lackluster performance in the parliamentary elections—in which A Just Russia barely met the threshold for Duma representation—was largely the result of the Kremlin clearly putting its full support behind United Russia just before the elections. Whether that had been the plan all along, or whether A Just Russia had been seriously considered as a possible “sanctioned” rival, remains unclear.

International observers from the Council of Europe and the Organisation for Security and Co-operation in Europe (OSCE) found fault with Russia’s 2007 parliamentary elections on four counts: an inappropriate level of state support for one political party (United Russia); biased, uneven media coverage; a restrictive election code that shut out new and small parties; and physical and judicial harassment of the opposition.⁶ Opposition parties and candidates have long found access to national media outlets difficult because pro-Kremlin groups

⁵ “Sergei Mironov, “My-Mogil’shchiki ‘Edinoi Rossii’ [We Are the Grave-Diggers for ‘United Russia!’],” *Moskovskii Komsomolets*, No. 177, August 10, 2007, p. 4.

⁶ Council of Europe, “Russian Duma Elections ‘Not Held on a Level Playing Field,’ Say Parliamentary Observers,” press release, December 3, 2007.

control the major television networks and several nationally circulated newspapers.⁷ Harassment of the opposition has ranged from judicial actions, such as disqualifying candidates through the courts due to alleged infractions regarding signatures on nominations, to physical force, such as the violent police response to an Other Russia dissenters' march in St. Petersburg in March 2007.

Much like the changes to the presidency, changes to the Russian Duma's composition and election procedures have larger ramifications. Parliament has become a rubber-stamp body whose agenda appears to be heavily influenced—if not dictated—by the presidential administration. The Duma is—and will likely continue to be—dominated by parties that are largely dedicated to supporting the Kremlin. Currently, there is little or no opportunity for policy alternatives to be introduced in the legislative branch. Initiative is in the hands of party leaders, whose accountability to the Russian public is limited. There is little room for debate within and among the parties in parliament. After moving to proportional representation in the Duma and presidential appointments in the Federation Council, parliament's accountability to the electorate has decreased. This has had a negative impact on the legitimacy of authority, the efficiency of legislators' work, and the quality of legislation passed.

The Judiciary

Judicial reforms under Putin began in 2001, when Russia introduced trial by jury in courts throughout the country and changed the judge-selection process. In recent years, prosecutors have found their role diminished in criminal proceedings and practically nonexistent in civil cases. The Ministry of Justice has come increasingly under the influ-

⁷ In a study prior to the December 2007 Duma elections, analysts found that television coverage favored United Russia and A Just Russia, whereas mentions of the opposition (such as *Yabloko*) were mostly negative. See Igor Romanov, "TV to Predict Elections Results: Medialogiya Puts Authorities' Media Resources to the Test," *Nezavisimaya Gazeta*, April 18, 2007. The 2008 presidential campaign season was characterized by overwhelming coverage of Medvedev and little mention of the three opposition candidates. See, for example, "Russia's Media Outlets Increasing Coverage of Presidential Candidates," Interfax, February 4, 2008.

ence of the Kremlin and is less institutionally independent of the prosecution. In June 2006, Putin swapped the prosecutor general, Vladimir Ustinov, and the minister of justice, Yurii Chaika. As of early 2009, jury trials for “crimes against the state” have been eliminated. Like many aspects of government under Putin, the judicial system has been restructured to defend the interests of the state rather than to operate as an independent branch of power. One clear example of how Russia’s new courts—in both commercial and criminal cases—favor the state were the proceedings against the Russian oil company Yukos and its top leadership.⁸

Control over the judiciary extends even beyond Russia’s borders. The head of Russia’s Constitutional Court, Valery Zorkin, has attempted to limit Russians’ access to the European Court of Human Rights (ECHR).⁹ Of the nearly 100,000 cases pending in the ECHR, one-fifth originate in Russia. Eighty percent of Russians’ complaints to the ECHR concern the lack of implementation of Russian court decisions, and Russia is automatically fined by the court for these failures. Russia has long complained about the rulings of the ECHR but, to date, it has also complied with and has continued to submit to the court’s authority.

Zorkin proposes to require Russians to exhaust all legal means within Russia—including the Supreme Court and the Supreme Arbitration Court—before an appeal can be filed with the ECHR. If passed, Zorkin’s initiatives will undoubtedly reduce the number of claims to the ECHR from Russia and help to prevent “a supra-national body” from “replacing” Russia’s national courts. This move might somewhat save face for Russia in Europe but will restrict the ability of Russian citizens to seek legal redress from the ECHR in the future.¹⁰

⁸ See “Redistributing Assets: Russia, Inc.,” pp. 16–18.

⁹ “Russia Ruled Responsible for Killings of Four Chechens,” Radio Free Europe/Radio Liberty, June 21, 2007.

¹⁰ Ekaterina Butorina, “Fortochka v Evropu [A Small Window to Europe],” *Vremya Novostei*, No. 118, July 9, 2007.

Regional Governments

Putin inherited from Yeltsin a diverse federation with 89 constituent units, more than half of which had negotiated special power-sharing treaties with the federal government in Moscow. As part of his *ver-tikal vlasti* campaign in 2000, Putin created a special commission to review the constitutionality of the treaties' provisions and to bring regional legislation in line with federal laws. Putin sought to reduce separatism—one of the major perceived threats to Russia's national security after the collapse of the Soviet Union—and increase equality among Russia's component parts. Ensuring the supremacy of federal law over regional law, in part by repealing legislation deemed out of line with the Russian constitution, should have helped strengthen the Russian legal system and rule of law. But in some cases, the removal of certain regional provisions may have contributed to political instability and weakened the rule of law by replacing legislation with apparently arbitrary decrees. For example, the many ethnic groups of Dagestan had developed a complex power-sharing system unlike any other federal entity's to ensure adequate political representation of every group. Dismantling that system has coincided with an increase in disputes over the division of authority in Dagestan's regional government and may have exacerbated inter-ethnic conflict.¹¹

After the September 2004 terrorist seizure of an elementary school in Beslan, Putin eliminated direct elections for governors in favor of presidential appointments. Putin reasoned that vetting regional executives through the Kremlin would help ensure that international terrorists and other enemies could not leverage ethnic and territorial divides within the country.¹² The governors are now beholden to the Kremlin for their posts and are no longer directly accountable to their constituents. The president possesses the authority to dismiss regional legislatures if they are unable, after three readings, to pass legislation handed down from the federal government. As in the case of Dagestan, this

¹¹ Gordon Hahn, "The Perils of Putin's Policies," *The Journal of International Security Affairs*, No. 10, Spring 2006.

¹² Peter Rutland, "Saving the Russian Federation from What?" *Jamestown Monitor*, Vol. 1, No. 37, October 1, 2004.

“defederalization” of Russia may have negative consequences. In the opinion of one expert on the North Caucasus, the isolation of regional leaders from the local people and the preoccupation of local leaders with the whims of Moscow contribute to the growth of and sympathy for radical Islamist groups in southern Russia.¹³

Redistributing Assets: Russia, Inc.

The application of sovereign democracy to the economy has resulted in a veritable “incorporation” of the Russian state. There have been clear efforts on the part of the Russian government to place strategic economic sectors under the control of the state and to consolidate its control over major economic actors. Recent years have seen a number of state seizures of companies and assets made possible by abuse of the Russian legal and regulatory systems. Major acquisitions have occurred in the oil, gas, defense, and precious-metal industries. Regulatory instruments have figured prominently in the confiscation of these strategic assets. A prominent example is the dismantling of the Russian oil firm Yukos and the subsequent conviction and imprisonment of its corporate leadership (most notably its Chief Executive Officer Mikhail Khodorkovsky) on charges of tax violations. During auctions structured to favor state champions (such as oil-giant Rosneft), the company’s assets were sold off to pay punitive fines.

“Renationalization” is inadequate to describe the forcible takeover of these assets. In contrast to more-typical patterns of nationalization, state champions in Russia are not 100-percent state-owned.¹⁴ But there are strong links between the company boards and leadership of these corporations and the government. The odd phenomenon of the administration’s involvement in these aspects of privatization can be

¹³ Author discussions with a Russian specialist on the North Caucasus, Washington, D.C., summer 2007. Issues of violence in the North Caucasus more specifically are discussed later in this chapter.

¹⁴ For example, Rosneft paid off a large portion of the debt incurred to purchase assets from the remnants of Yukos through an initial public offering on the London Stock Exchange. Gazprom has removed restrictions on foreign share ownership and expects to sell more shares. RAO-UES, Russia’s national electric power company, is embarking on an ambitious project to privatize almost all of its fossil fuel–fired generating assets.

traced to personal and public interests. Rather than nationalization per se, this phenomenon is a Putin government-directed redistribution of assets. Firms and individuals that took advantage of the opportunities and lack of regulation in the 1990s to acquire major holdings are losing them, particularly if these firms and individuals are not viewed as sufficiently loyal to the state.¹⁵ There is a widespread perception in Russia that people and organizations who succeeded in the 1990s did so through theft and dishonesty; thus, a certain amount of redistribution is considered appropriate. Putin's clear satisfaction with policies designed to rectify unjust acquisition of assets gives insight into his and his advisers' policymaking motivations. For example, ExxonMobil's current success in retaining control of the oil and gas consortium called Sakhalin I appears to be due in part to the Kremlin's perception that this deal has been "more fair" than others. In contrast, the Kremlin has taken a tough line on the TNK-BP gas project in Kovytko, renegotiating the contract on much less favorable terms for TNK-BP.¹⁶

If thieves and the disloyal are punished, those who are loyal and expected to be loyal in the future are rewarded. It is not surprising that many of the favored administration members have a foot in both the political and the business camps. A majority of Kremlin players also hold leadership positions on the boards of Russia's most powerful companies. Under Putin, service in the administration became a potential mechanism for attaining a coveted company directorship. Viktor Zubkov's short stint as prime minister was probably designed to raise his profile in order to pave the way for his chairmanship of Gazprom—undoubtedly Russia's most prized state champion—after Dmitri Medvedev was elected president.

Although this overlapping leadership might in many ways benefit the government, the situation also creates further disincentives to full nationalization. Corporate officers in large state-owned companies and

¹⁵ The show-trial of Yukos chief Mikhail Khodorkovsky is the case in point.

¹⁶ Of TNK-BP's license for Kovytko, Putin said, "I am not even going to talk about how they obtained this permit. We will let it rest in the conscience of those who did this at the beginning of the 1990s" (Miriam Elder, "Gazprom Gets Kovytko Gas Field on the Cheap," *The St. Petersburg Times*, Vol. 49, No. 1283, June 26, 2007).

their political cronies have compelling reasons to ensure that the companies they run are at least partially privatized. If their sole claim on the state-owned company is their government appointment, all could be lost as power shifts in the Kremlin, and their ability to cash in would be much more circumscribed.

This prompts the question of just how loyal the loyalists will stay, particularly if changes in government, government policies, or economic developments threaten their financial standing. As already discussed, economic actors tend to act in accord with economic, rather than national, interests. As long as the government is convinced these are one and the same, conflicts are minimized. But if and when policies shift, the Kremlin will have created a powerful group of business leaders that it may not be able to control.

Societal and Political Implications

The impact of changes to Russia's government structures on life and work in Russia is substantial. In the words of Michael McFaul, "Putin has systematically weakened or destroyed every check on his power, while at the same time strengthening the state's ability to violate the constitutional rights of citizens."¹⁷ News outlets report that they receive official instructions on how to cover particular topics.¹⁸ Independent journalists find themselves in great danger, and some of them, including Anna Politkovskaya, famed for her courageous reporting on Chechnya and terrorist acts, have even been killed. Whether or not one lends credence to accusations of government complicity in such murders, the atmosphere that surrounds their investigation suggests that Russian leaders are not displeased at the more acquiescent press they help create.

Engaging in political dissent is also risky and subject to government intervention. To give law enforcement officers the legal upper hand in dealing with dissent, the Russian parliament passed a new version of the law on extremism in July 2007. The law makes punishable any action that can be interpreted as "inciting hate or enmity, or, similarly insult-

¹⁷ Michael McFaul, "Liberal Is as Liberal Does," *The American Interest*, March–April 2007.

¹⁸ Ivan Rodin, "Zakon ob Ekstremizme Podvergsia 'Liberalizatsii' [Law on Extremism Exposed 'Liberalization']," *Nezavisimaya Gazeta*, No. 127, June 29, 2007.

ing the dignity of a person or group on the basis of sex, race, nationality, language, heritage, religious affiliation”¹⁹ Vague definitions allow for liberal application—with the result that the government has initiated legal proceedings against its political opponents. Andrei Piontkovsky, a moderate member of the liberal *Yabloko* party, could face several years in jail for publishing essays critical of the Putin administration. Moreover, any person or organization found distributing Piontkovsky’s “extremist” literature is subject to stiff fines.²⁰ There has also been a disturbing trend toward the Soviet-style practice of placing critics of the regime in psychiatric institutions. Public defender Marina Trutko, for example, spent six weeks in 2006 undergoing involuntary psychiatric treatment before an independent commission found her mentally healthy.²¹

Political activism in today’s Russia is therefore challenging and dangerous. The opposition group Other Russia, which was formed under the leadership of former Prime Minister Mikhail Kasyanov, former world chess champion Garry Kasparov, and the head of the National Bolsheviks, Eduard Limonov, organized several protests throughout Russia. One march in St. Petersburg was brutally put down by police. Travelers to another event in Samara were purposely detained in Moscow airports, ensuring that they would arrive too late to participate.²² The recent elimination of jury trials for crimes against the state, noted above, has the potential to further constrain dissent.

Thus, if by some standards, Russia is well along the road to consolidation of democracy, having had two peaceful changes of executive power through popular elections,²³ constraints on freedom and

¹⁹ The full text of Article 282 of the Criminal Code can be found at Human Rights in Russia, “Documents,” Web page, undated.

²⁰ Il’ia Kriger, “Ekstrim Stynet v Zhilakh [Extreme Is Freezing in Its Veins],” *Novaia Gazeta*, No. 37, May 21, 2007.

²¹ Peter Finn, “In Russia, Psychiatry Is Again a Tool Against Dissent,” *Washington Post*, September 30, 2006, p. A1.

²² Steven Lee Myers, “Russia Detains Opposition Leaders Until They Miss a Protest,” *New York Times*, May 19, 2007, p. A8.

²³ Samuel P. Huntington, *The Third Wave: Democratization in the Late Twentieth Century*, Norman, Okla.: University of Oklahoma Press, 1991, offers the “two-turnover test” for gauging democratic consolidation in transitioning countries.

opposition paint a different picture for those who see democracy as a matter of civil liberties as well as elections.²⁴ Today's Russia disappoints human rights and democracy activists, particularly in light of the hopes many of these people and organizations held for the country in the early 1990s. Yet there is no evidence that Russians as a whole are particularly disturbed by the current state of affairs. Indeed, many Russian citizens appear content with a balance between what they see as competent governance and some limitations on freedoms. Putin, now prime minister, remains tremendously popular, and President Medvedev's poll numbers are also positive. The fact is that most Russians' lives are better than they were in the past. People exercise substantial economic liberties that they could barely dream of enjoying during Soviet times or the first decade of independence. By historical standards, Russia even has a comparatively free press: Although criticism of the president and prime minister is hard to find, critiques of their policies are consistently published.

The history of the 1990s partially explains the popularity of Putin and Russians' willingness to accept the growing constraints on their freedoms—and, perhaps more importantly, on the freedoms of those who seek to criticize and perhaps remove from power the regime that has brought comparative stability. Although the 1990s are usually held up in the West as the period when Russia was freest, most Russians remember the decade as a time of chaos and extreme economic insecurity. Inflation was high, violent crime skyrocketed, and criminals went unpunished. Media outlets were free to report as they wished, but there were few controls to ensure accuracy. The period also witnessed numerous murders of journalists by organized criminals, Chechen insurgents, and others. There were many political parties, but they were weak and inchoate and they represented little in the way of policy, ideology, or the views of Russian citizens. The government was broadly viewed as incompetent and venal.²⁵

Today's Russian leadership seems to be particularly concerned about the sustainability of Russia's current political system and eco-

²⁴ See Freedom House, *Freedom in the World 2008*, January 16, 2008.

²⁵ Author discussions with Russian and Russia-based analysts and specialists, Moscow, November 2006.

conomic growth. Putin and his advisers have consistently held a resoundingly negative view of the 2003, 2004, and 2005 “color revolutions” in Georgia, Ukraine, and Kyrgyzstan, respectively. In those countries, opponents of governments long in power were able to expel the regimes through elections that closely followed public protests (which, in turn, followed disputed elections). Russian authorities view these events not as steps toward democracy but as dangerously destabilizing events that could threaten Russia’s trajectory as well. Moreover, such events are seen as engineered largely by foreign actors from the West, who are believed to have similar designs on Russia’s own government.

Seen in this light, Russia’s increased autocratic leanings and its crackdown on opposition and public dissent are part of an effort to cement stability as well as preserve the power of the current political elite. One can question the efficacy of such an approach and debate its long-term repercussions for the health of the Russian political system. However, understanding that the approach was designed in the context just described can help explain both elite and public support for, or at least acquiescence to, these policies.

Decisionmaking and Succession in the Kremlin

Decisionmaking. According to many analysts, Russian and Western centralization and control have also resulted in a presidential administration that, under Putin, became highly insular; the leadership is guided by a small coterie of advisers who may be more intent on currying favor and advancing their own interests than on developing and implementing effective policies. Many have seen Putin’s presidential (and perhaps now his prime ministerial) role as that of a puppet-master, the person who kept the divisions within the government in balance. At times, he may have even benefited from leveraging competition and lack of consensus among the ruling elite. Others, however, consider Putin a hostage of the machinations of those around him.²⁶

Putin’s decisive role during his two presidential terms makes it difficult to view his decisions as anything other than tactical and

²⁶ Author discussions with Russian and Russia-based specialists and analysts, Russia, November 2006 and June 2007. See also Wallander, 2007, pp. 107–122.

strategic choices. It is true, however, that in making those choices, he weighed not only Russia's interests but the interests of his advisers and friends. One Russian analyst suggested that Russia's system is a system of lobbying: People represent various policy, business, or personal interests and lobby ministers and other decisionmakers for policies that will benefit them economically. If these decisionmakers themselves cannot make a decision, they then compete for influence with the president and his inner circle.²⁷

What are these interests? As noted above in "Redistributing Assets: Russia, Inc." (pp. 16–18), some reflect the goals and preferences of firms and individuals seeking financial gain and personal security. But there are also some genuine divisions in the Kremlin elite that reflect different perspectives on key issues, policies, and approaches.

Early in Putin's presidency, Olga Kryshtanovskaya and Stephen White observed that members of the "power ministries" (*siloviki*) were "infiltrating" many elite groups, where their membership ranged from 15 percent to 70 percent. *Siloviki*, they maintain, constitute nearly one-quarter of the Russian political elite.²⁸ Some experts have acknowledged the trend, but argue that Kryshtanovskaya and White's numbers are exaggerated.²⁹ Others note that, despite their proliferation in government, the *siloviki* hold technical rather than decisionmaking positions, limiting their effect on policy.³⁰ In any case, the *siloviki*, though influential, are not alone in the ruling apparatus and vie against other groups in power.

Ian Bremmer and Samuel Charap also identify the *siloviki* as an important faction, but believe that they are just one of several key groups. Indeed, Bremmer and Charap suggest that there may be as many as ten factions in the Russian elite, but they identify three main

²⁷ Author discussions with Russian and Russia-based specialists and analysts, Russia, November 2006 and June 2007.

²⁸ Olga Kryshtanovskaya and Stephen White, "Putin's Militocracy," *Post-Soviet Affairs*, Vol. 19, No. 4, October–December 2003, pp. 289–306.

²⁹ Sharon Werning Rivera and David W. Rivera, "The Russian Elite Under Putin: Militocratic or Bourgeois?" *Post-Soviet Affairs*, Vol. 22, No. 2, April–June 2006, pp. 125–144.

³⁰ Stanislav Belkovsky, "Putin: No Secret Policeman," *The Guardian*, January 30, 2008.

groups: *siloviki*, liberals, and technocrats. These groups are by no means formally unified, and they exhibit significant internal disagreement, but these categories are useful descriptors of the backgrounds of key actors.

The *siloviki* are the largest group, in line with what Kryshтанovskaya and White argue. Their core ideology consists of five main beliefs: a strong state; support for continued political and economic consolidation in the presidency; economic nationalism; a desire to restore Russia's international prestige; and a favorable inclination toward the Russian Orthodox Church, including its sometimes xenophobic and nationalistic teachings. Prominent *siloviki* include Igor Sechin and Viktor Ivanov, who served on Putin's staff, and Viktor Yakunin, head of the Russian railroads. Liberals, such as Finance Minister Alexei Kudrin, share a market-friendly orientation but do not completely reject state intervention. The third group, of which new Russian President Medvedev is a prime representative, is the technocrats: new-style bureaucrats with professional expertise in modern administration and business.³¹

Different policies appear to reflect the interests of different groups at different times. Putin, although by definition a member of the *siloviki*, has not always favored that group's preferred courses of action. Moreover, the mechanisms by which these and other groups define policy may be in a state of flux now that a new president has taken office and Putin has assumed the role of prime minister.

Succession. Although Russia has seen presidential power change hands twice since its independence, Russian elections are not a genuine choice between competing candidates; rather, they are referenda on decisions on succession made by the current rulers. President Boris Yeltsin's early resignation on New Year's Eve, 1999, made then–Prime Minister Putin acting president for nearly three months before the elections. Putin was easily elected president in March 2000. In December 2007, Putin endorsed Dmitri Medvedev, then–first deputy prime min-

³¹ Ian Bremmer and Samuel Charap, "The Siloviki in Putin's Russia: Who They Are and What They Want," *Washington Quarterly*, Vol. 30, No. 1, pp. 83–92. For an expanded list of political elites with intelligence ties, see Francesca Mereu, "Putin Made Good on Promises to FSB," *Moscow Times*, February 8, 2008.

ister, as his successor. Popular support for Medvedev, whose candidacy had been suggested as early as 2005, immediately skyrocketed and carried through to the polls, where no other contender was able to realistically compete. Medvedev won handily.

It was not initially clear that this was how the 2008 election would play out. As President Putin neared the end of his constitutionally limited two terms in office, there was much speculation, and little concrete information, about what was to come. Despite repeated pronouncements that Putin would not seek a third consecutive term in office, numerous politicians floated proposals to amend the constitution to allow it. In November 2005, Putin's Chief of Staff Medvedev and Defense Minister Sergei Ivanov were named deputy prime ministers, catapulting both into the public spotlight as possible presidential candidates. Some suggested that Putin's intervention in the electoral process would cease there, and that the two deputy prime ministers would run separate campaigns, genuinely competing for votes. In the end, the Kremlin preferred a more predictable outcome, and Medvedev alone received Putin's endorsement.

Presidential candidates in Russia can be fielded by parties represented in the Duma or registered independently by collecting 2 million signatures of support. Medvedev ran on the United Russia ticket and competed against the leaders of CPRF and LDPR, Gennady Zyuganov and Vladimir Zhirinovskiy, respectively. Andrei Bogdanov, leader of the small Democratic Party of Russia, ran as an independent candidate. Former prime minister and opposition leader Mikhail Kasyanov attempted to register as an independent, but the Central Election Commission (CEC) found excessive irregularities in his petition signatures and disqualified him. This action by the CEC was widely seen as a deliberate fabrication to exclude Kasyanov from the race.³²

³² This was not the first time Kasyanov's attempts to run for political office were foiled through legal machinations. Kasyanov leads the People's Democratic Union, which was unable to register as a party for the 2007 Duma elections because the CEC objected to its name. See "Kremlin-Tied Party Unlikely to Break Russia's Political Monopoly," German Press Agency, October 23, 2006.

Russia's New President

The ties between Medvedev and Putin stretch back nearly two decades. The two served together on the staff of St. Petersburg Mayor Anatoly Sobchak throughout the 1990s. Medvedev followed Putin to Moscow in 1999 and led Putin's presidential campaign. Medvedev was subsequently appointed in 2000 to the new administration, where he worked as a deputy chief of staff and then chief of staff. Medvedev had also served as either chairman or deputy chairman of Gazprom's board of directors since 2000. In 2005, Putin placed Medvedev in charge of the four major "national projects"—housing, agriculture, education, and health—in the capacity of first deputy prime minister.

Unlike many Putin appointees and Putin himself, Medvedev has no defense or security background. Putin's patronage of Medvedev is therefore starkly contrasted with what some have called Putin's "militocracy."³³ Observers of Russian politics assume that Putin's selection of a technocrat for president indicates that the influence of the *siloviki* within the Kremlin is waning. In all likelihood, Putin's reasons for choosing Medvedev are threefold: (1) Medvedev's background is appealing and appropriate for what needs to be accomplished, (2) Putin believes Medvedev is a sufficiently strong leader to keep order within the Kremlin and the country as a whole, and (3) the two have a good personal and working relationship. Although Putin stepped down as president, he clearly had no intention of relinquishing power. Within a day of becoming heir-apparent to the presidency, Medvedev announced that, if elected, he would ask Putin to serve as his prime minister. Putin's inclusion in the new administration increases Medvedev's political capital and legitimacy in the eyes of the people and the elite, thereby relieving some of the pressure of assuming the country's highest post.

Exactly how Putin and Medvedev will rule the country together in the years to come is another question. Elements of diarchic governance are rife throughout Russia's history. The Russian Empire under the Romanovs was originally established in the 17th century as a diarchy, with authority divided between the patriarch and the tsar. Although

³³ See Kryshтанovskaya and White, 2003.

this arrangement quickly collapsed, several subsequent tsars institutionalized power-sharing arrangements.³⁴ In the Soviet Union, power was technically divided between the Communist Party Central Committee and the Council of Ministers.

As a team, President Medvedev and Prime Minister Putin draw on a wealth of professional experience. Some experts anticipate that Putin and Medvedev will divide leadership of major issues. For example, Putin may play the decisive role in the economy and Medvedev may take charge of the political scene. There are, however, numerous pitfalls in establishing dual power centers. Russian prime ministers are responsible for the work of the cabinet and have typically been the scapegoats when political reforms stall or the economy performs poorly—both Presidents Yeltsin and Putin fired prime ministers and forced out other members of the cabinet. As prime minister, Putin has put himself in a more vulnerable political position.³⁵ Anything less than absolute agreement between Medvedev and Putin could become a potential wedge for competing factions to exploit. Putin's decision to take a post below that now held by his previous subordinate is unprecedented; many observers doubt Medvedev will ever develop complete and independent authority. But in recent Russian experience, governing tandems in which the junior partner exerts more influence than the president have been untenable and even dangerous—one such situation in 1993 ended with tanks firing at parliament.³⁶

Although Medvedev is committed to the "Putin plan," his leadership style will likely differ from his predecessor's. Pundits have

³⁴ The first Romanov tsar, Mikhail, shared power with his father, Patriarch Filaret. Peter the Great and his sister Sophia were co-tsars until Peter took control. During the reign of Catherine the Great, the tsar was responsible for foreign policy, while the bureaucracy of nobles handled domestic affairs. See Richard Pipes, *Russia Under the Old Regime*, New York: Scribner, 1974, p. 137.

³⁵ It is doubtful that Putin would agree that the prime minister is vulnerable. In his last press conference as president, Putin characterized his new post as controlling the "highest executive power in the country." See Vladimir Putin, "Transcript of Annual Big Press Conference," Moscow, February 14, 2008b.

³⁶ Lilia Shevtsova, "Itogi. God Putina [Outcomes. The Year of Putin]," *Vedomosti*, No. 246, December 27, 2007.

noted that Medvedev seems more concerned with the human side of politics—poverty, moral and family values, and national traditions. As a former educator, Medvedev explains his ideas in greater detail and exhibits more patience with his interlocutors than Putin tended to do.³⁷ Medvedev's goals include the development of the four "I's": institutes, infrastructure, innovation, and investment.³⁸ Drawing on his professional background, Medvedev stresses the supremacy of law and the importance of combating "legal nihilism" (endemic disdain for the law) through laws of higher quality and more-efficient enforcement. He considers corruption Russia's "most severe ailment," and has pledged to tackle it through multiple channels.³⁹ Medvedev has also advocated open international dialogue and cooperation in foreign policy, placing priority on the interests of the Commonwealth of Independent States (CIS), Russia's closest neighbors. He has pledged that Russia will continue to be an influential, independent actor that supports international legal norms.⁴⁰

The extent to which Medvedev is able to follow through on his campaign rhetoric remains to be seen. As president, Medvedev is not able to drastically alter Russia's course or act independently. Putin remains an extremely popular and influential political figure as prime minister; Medvedev is not able to tinker much with his predecessor's policies; nor will he find it easy to pursue a course that runs counter to Putin's current agenda. Indeed, in one of Putin's last acts as president, in a minor change to a decree, he altered the requirement that Russia's

³⁷ Vyacheslav Nikonov, "Dokrina Medvedeva [The Medvedev Doctrine]," *Izvestia*, February 6, 2008.

³⁸ "Medvedev Presents Economic Program," *RosBusiness Consulting*, February 15, 2008. Putin's aims are elaborated in Vladimir Putin, "Speech at Expanded Meeting of the State Council on Russia's Development Strategy Through to 2020," Moscow, February 8, 2008a.

³⁹ Dmitry Furman, "Medvedev's Dilemma," *Nezavisimaya Gazeta*, February 7, 2008; and Dmitri Medvedev, "Vystuplenie na II Obshcherossiiskom Grazhdanskom Forume ["Remarks at the 2nd Russian General Civic Forum]," January 22, 2008.

⁴⁰ Medvedev, 2008.

governors report annually to the president to a requirement to report to Russia's government—that is, to the prime minister.⁴¹

We believe that the current duopoly is likely to prove unstable, as most duopolies ultimately do. Co-chief executives of major corporations rarely last, and Russia, as a complex political and economic corporation, is no different. Throughout Soviet history, a single, dominant leader tended to emerge from a group of equals in the Politburo; Stalin and Brezhnev are two examples.

Based on the history of other countries whose sitting president has picked his successor, one might conclude that Medvedev is likely to listen increasingly less often to his predecessor as he becomes accustomed to wielding the power of the presidency. In Mexico, when the *Partido Revolucionario Institucional* controlled the presidency, each president would choose his successor, often with the implicit hope that he would be able to control him. However, presidency after presidency, the new president, as he consolidated power, would quickly send his mentor packing. The old president was both a threat and a convenient person to blame for the most-recent problems besetting the country. Russia may not follow this model, however, especially if Medvedev is unable to consolidate power. In order for Medvedev to solidify control, Putin must yield more of it. Thus far, Putin has not done so. During the August 2008 conflict with Georgia, for example, there was no question that Putin was in charge. Thus, even if Medvedev balks at Putin's control, he may prove unable to cast it off.

Threats from Within: Domestic Security Issues

No discussion of Russia's political situation can ignore the concerns that the Russian government and much of its population have about domestically driven threats to the country's future. Russia's changing demographics, which include higher death rates and lower birthrates, are fodder for many cautionary and hysterical press articles—as are immi-

⁴¹ Aleksandra Samarina, "Gubernatorov Nachalnik [Governors' Boss]," *Nezavisimaya Gazeta*, April 30, 2008.

gration and movement within Russia, which feed Russia's labor needs and changes the ethnic makeup of the country. No less important, and perhaps even more critical to Russia's threat perception and worldview, is the continued rise of violence in Russia's North Caucasus.

Population Change Poses Economic and Cultural Threats

Russia's population has been declining since 1992.⁴² After peaking at 148.7 million in that year, it fell to an estimated 143.1 million as of 2006, a contraction of 3.7 percent. This decline was much smaller than those experienced by other former Soviet republics such as Armenia, Georgia, and Ukraine, where populations fell by 15 percent, 14 percent, and 10 percent, respectively, from the late 1980s or early 1990s to 2006.⁴³

Like many European states, Japan, and other countries whose populations are falling, the decline in Russia's population is due to a drop in fertility rates. In 1986 and 1987, there were 2.2 children born per Russian woman (this is just above the replacement rate); in 2005, that rate declined to 1.3 children born per Russian woman. The fall was especially sharp in the early 1990s, a pattern common in other countries undergoing the transition from central planning to markets. As in other transition economies, fertility rates in Russia have risen somewhat since reaching their low point after the ruble collapsed in 1998, but they show no sign of returning to replacement levels.

Life expectancy is another factor, and in this Russia differs from Europe and Japan. Russians, especially Russian men, die much earlier than their counterparts in countries with similar levels of income and education. In 1987, Russian men reached an average age of 65. In 2005, the average life expectancy of Russian men was only 59 years, whereas women lived an average of 72 years. This difference between male and female life expectancy is one of the largest in the world. By

⁴² Unless otherwise noted, all statistics in the remainder of this chapter are taken from Russian Statistical Service, *Rossiiskii Statisticheskii Ezhegodnik* [*Russian Statistical Yearbook*], Moscow, various years.

⁴³ International Programs Center, U.S. Bureau of the Census, "International Data Base," Web page, undated.

comparison, note that in the United States, men can expect to live to age 75 and women to age 80. Russian men die much earlier than Russian women and Americans of both sex primarily because of lifestyles: Russian men drink and smoke much more than either group, and are also twice as likely as Americans to die as a result of accident or violence, primarily because of automobile and industrial accidents. These factors contribute to an “excess mortality” rate of 400,000 deaths per year.⁴⁴

Figure 2.1 shows midrange population projections for Russia calculated by the Russian Statistical Service, the International Programs Center of the U.S. Bureau of the Census, the United Nations (UN), and the World Bank.⁴⁵ Note the one major difference in the estimates: The Russian Statistical Service projects a 6-percent decline in population between 2005 and 2025, whereas the other forecasters project declines of roughly 20 percent.

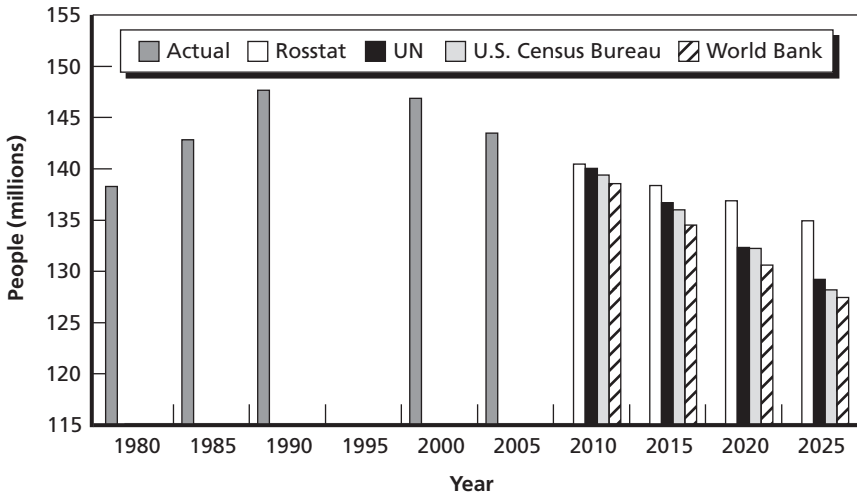
According to Heleniak, all the forecasts assume a rebound in fertility rates and longer life expectancies.⁴⁶ These assumptions are predicated on the experience of other transition economies that are further along in the recovery process. Eastern Germany, Hungary, and Bulgaria have all experienced increased fertility as incomes have risen. Greater expenditures on and better management of health care as government finances improve have reduced mortality in other transition economies; so have the better diets that result from increasing personal incomes. In Russia, recent health care reform—especially the focus on expanding and improving primary care through better-funded, better-operated public health clinics—has already led to a sharp drop

⁴⁴ Nicholas Eberstadt, “Russia’s Demographic Straitjacket,” *SAIS Review*, Vol. 24, No. 2, Summer–Fall 2004, pp. 9–21. See also “Russia’s Health and Demographic Situation,” *Russian Analytical Digest*, No. 35, February 19, 2008. For U.S. life expectancies, see Hsaing-Ching Kung, Donna L. Hoyert, Jiaquan Xu, and Sherry L. Murphy, “Deaths: Final Data for 2005,” Centers for Disease Control, National Vital Statistics Reports, April 24, 2008.

⁴⁵ Timothy Heleniak of the Department of Geography of the University of Maryland kindly provided these data to us. This section also draws heavily on Timothy Heleniak, “Russia’s Population in the Future: National and Regional Scenarios,” World Bank Country Economic Memorandum for Russia, 2007.

⁴⁶ Heleniak, 2007, p. 9.

Figure 2.1
Population Projections for Russia Through 2025



SOURCES: Russian Statistical Service, *Predpolozhitel'naya Chislennost' Naseleniya RF do 2026 Goda* [Forecasted Population Size of the Russian Federation Through the Year 2026], 2005; World Bank, "World Development Indicators," CD-ROM, 2005; United Nations Secretariat, Population Division of the Department of Economic and Social Affairs, "World Population Prospects: The 2004 Revision," Web page, 2005; International Data Base, International Programs Center, undated. Some data were provided by Timothy Heleniak.

RAND MG768-2.1

in infant mortality rates. Life expectancy has increased slightly from its low points.

Boosting the birth rate is now a tenet of Russian policy. In his 2006 State of the Nation Address, Putin laid out a state-sponsored plan to encourage families to have a second child. As of January 1, 2007, new mothers receive a childcare benefit of 1,500 rubles (about \$60) monthly after the birth of the first child and 3,000 rubles (about \$120) monthly after the birth of the second. The payment, a doubling of previous benefit levels, lasts for the first 18 months of a child's life. Mothers who opt to have a second child also receive a certificate worth 250,000 rubles (about \$10,000) that matures after three

years and can be applied toward housing, the child's education, or the mother's pension.⁴⁷

Despite these projected positive trends, and even if the birth rate incentives prove effective, continued decline in Russia's population is almost irreversible. The numbers of women of childbearing age are decreasing, and this will lead to fewer births than deaths even if fertility rates rise.

The major difference between the Russian Statistical Service's projection of population and the estimates produced by the other three organizations stems from different assumptions about net immigration. The Russian Statistical Service assumes net inflows of over 400,000 immigrants per year in the 2020s; between 2005 and 2025, the Russian Statistical Service assumes a net 6.1 million immigrants. These figures are roughly ten times as large as the assumptions of the Census Bureau and the UN (the World Bank assumes no net immigration).

We believe that the Russian projections are more plausible. During the 1990s, Russia enjoyed net official immigration of as many as 800,000 people a year. An average of 700,000 people a year immigrated to Russia between 1992 and 2000. Although 330,000 people left Russia every year during this period, the country still enjoyed a net inflow of 370,000 people a year. Most of the influx in the 1990s consisted of ethnic Russians from other former Soviet republics who, after the breakup of the Soviet Union, chose to move to Russia. As the economies of these other countries have improved, the inflow of ethnic Russians (still a large group) into Russia has tapered off.

In the current decade, the inflow of ethnic Russians has been replaced by "economic immigrants" from other ethnic groups. Per capita GDP (and hence wages) is 3–19 times higher in Russia than in the countries from which most immigrants to Russia now come (i.e., Armenia, Georgia, Kyrgyzstan, Tajikistan, and Ukraine). Unsurprisingly, in addition to the legal migration numbers noted above, Russia is now estimated to host 4.0 million to 4.5 million illegal immigrants (although the head of the Russian Federal Migration Service, Kon-

⁴⁷ For the complete text of the speech, see Vladimir Putin, "Annual Address to the Federal Assembly," Moscow, May 10, 2006.

stantin Romodanovskiy, consistently estimates the number of illegal migrants at more than 10 million).⁴⁸ These differentials in incomes and wages will not disappear during the next 20 years. Like the United States, Russia, with its wealthier economy and long, open southern borders, will continue to attract large numbers of illegal workers for the foreseeable future.⁴⁹

All of the projections we examined, even the most conservative, assume that Russians will start to live longer in coming years. However, press accounts and some analysts have expressed concerns about increased mortality in Russia due to epidemics of infectious diseases, especially tuberculosis and HIV/AIDS. In 2005, an estimated 1.1 percent of the Russian population—approximately 1 million people—was suspected of being infected with HIV/AIDS.⁵⁰ An analysis by the International Programs Center of the U.S. Bureau of the Census argues that Russia is at the beginning of an epidemic of HIV/AIDS that could result in 250,000 deaths a year by 2015, thereby accounting for roughly 10 percent of all deaths.⁵¹ Even if this epidemic materializes, however, the overall death rate is not projected to rise so significantly that deaths from HIV/AIDS would greatly reduce Russia's population over and above current expectations.⁵²

⁴⁸ Heleniak, 2007, p. 11. For example, see Daniel Ser-shen, "A Problem Crossing Borders," *The Moscow Times*, February 7, 2007; and Yury Filippov, "Russia's Future Depends on Streamlined Immigration," RIA Novosti, October 24, 2006.

⁴⁹ According to the UN, Russia is second to the United States in the number of migrants in the country. See United Nations, Department of Economic and Social Affairs, Population Division, *International Migration 2006*, undated.

⁵⁰ Joint United Nations Programme on HIV/AIDS (UNAIDS), *2006 Report on the Global AIDS Epidemic*, May 2006.

⁵¹ Dennis Donahue, "HIV Prevalence in the Russian Federation: Methods and Estimates," paper presented at the 2004 Annual Meeting of the Southern Demographic Association, October 14–16, 2004. Data, methods, and estimates are from a model developed by the International Program Center of the U.S. Census Bureau, as cited in Heleniak, 2007, p. 10.

⁵² Evidence of a rapidly growing epidemic has not materialized. Data from Joint United Nations Programme on HIV/AIDS (UNAIDS), 2006, indicate that the rate of new infections in Russia has held steady for the past several years.

The declining population is often cited by Russian analysts and officials as a threat to the country, and has therefore motivated policy responses that aim to increase the Russian birth rate. However, the reasons for this concern are not always clearly spelled out. After all, Russia's economy has continued to grow, and fewer people means more wealth to go around—this has been true in both Europe and Japan. The concern among some in the Russian polity, however, is that smaller numbers of children born since the 1980s mean that Russia's workforce is contracting and the ratio of workers to pensioners is decreasing. Some fear that a declining population, combined with a health care crisis, will exacerbate the situation further and result in an even lower ratio of workers to dependents.⁵³ Another worry is that Russia's shrinking population will continue to concentrate more and more in urban areas, leading to a depopulation of rural Russia (as has been happening). Russians also voice concern that the emptying of the Russian Far East will lead to a Chinese incursion.⁵⁴ Worry about the country's ability to find enough young men to staff the military is another issue, and is discussed in detail in Chapter Five.

In 2005, aware that crumbling infrastructure was having a negative effect on the quantity and quality of the Russian population, the Kremlin launched four priority national projects to address reform in health care, education, housing, and agriculture. Goals of health care reform include reducing illness, injury, and mortality; increasing availability and quality of medical assistance; and creating an effective system of outpatient care. The national project on education includes such tasks as encouraging innovative teaching methods, providing Internet access to all schools, creating Reserve Officer Training Corps-type programs, and updating school materials. The housing project involves raising the volume of mortgage credit available, increasing access to housing—especially for young families who might be inclined to have

⁵³ For a more detailed discussion of the implications of “negative [demographic] momentum” in Russia's economy, see Nicholas Eberstadt, “Growing Old the Hard Way: China, Russia, India,” *Policy Review*, Vol. 136, April/May 2006, pp. 27–30.

⁵⁴ Author discussions with Russian and Russia-based analysts and specialists, Russia, November 2006 and June 2007.

more children if more living space is available—and ramping up housing construction and modernization of communal infrastructure. The last of the four projects focuses on modernizing Russia's agricultural sector to make it internationally competitive and sufficiently productive to ensure the country's food security.⁵⁵

Demographic Change and Russian Identity

Another set of concerns stems from the rising share of non-Russians in the total population. Ethnic Russians have accounted for a disproportionate share of the fall in the total population. As Russia's total population dropped between 1989 and 2002, the number of Russian Muslims grew.⁵⁶ Although ethnic Russians remain the largest group in Russia, their share of the population dropped from 81.5 percent in 1989 to 79.8 percent in 2002.⁵⁷

The differential in demographic outcomes between ethnic Slavs and ethnic Muslims can be attributed to immigration, higher birth-rates, and healthier lifestyles.⁵⁸ Twigg points out that ethnic Muslims in Russia exhibit much lower rates of abortion and divorce than Slavs. Russia's ethnic Muslims also tend to be healthier, with a smaller incidence of death by cardiovascular disease or injury (the latter phenomenon is likely attributable to lower rates of alcohol consumption).⁵⁹

Some observers have predicted that a Muslim majority or plurality could occur in Russia by the end of this century or sooner.⁶⁰ Esti-

⁵⁵ Additional details on the national priority projects can be found at Council of the President of Russia on the Realization of Priority National Projects and Demographic Policy, Priority National Projects Web site, undated.

⁵⁶ Russian Statistical Service, home page, undated; and Timothy Heleniak, "Regional Distribution of the Muslim Population of Russia," *Eurasian Geography and Economics*, Vol. 47, No. 4, 2006.

⁵⁷ Russian Statistical Service, undated.

⁵⁸ Heleniak, 2006, p. 433.

⁵⁹ Judyth Twigg, "Differential Demographics," *PONARS Policy Memo*, No. 388, December 2005, p. 137.

⁶⁰ Gordon Hahn, *Russia's Islamic Threat*, New Haven, Conn.: Yale University Press, 2007, p. 11; and "Challenged by Coming Muslim Majority," audio recording of a speech by Paul Goble, Radio Free Europe/Radio Liberty, March 6, 2006. Although ethnic Muslims as a

mates of Russia's current total Muslim population range from 14 million (one-tenth of the population) to over 25 million (nearly one-sixth). Although these absolute numbers are significant—Russia may have as many Muslims as Malaysia, Iraq, or Saudi Arabia—they are misleading. The 2002 census tracked ethnic self-identification, not religious affiliation. Although there has been a recent resurgence of religiosity, three generations of Soviet rule have left many Russian citizens secular, despite their ethno-historical ties to Islam, Christianity, Buddhism, Judaism, or any other religion. The actual number of practicing Muslims—among both traditionally ethnic Muslim groups and converts—is likely much lower than 14 million.

Immigration will also continue to affect Russia's ethnic make-up. Immigrants fill a significant niche in the Russian economy. They currently represent up to one-fifth of Russia's labor force, including nearly two-fifths of construction workers and one-quarter of wholesale and retail traders nationwide.⁶¹ At the same time, since most of the money illegally earned by migrants goes untaxed, Russia is unable to capture this potential source of revenue.⁶² Migrants generally perform unskilled labor (there are exceptions, particularly among Ukrainians, Belorussians, and ethnic Russians coming to Russia from abroad), for which they are willing to accept relatively low wages and endure difficult working conditions. Some migrants choose to settle in Russia, but many work there seasonally, sending the bulk of their earnings back to families in their countries of origin.⁶³ Because few of these migrants

whole have higher-than-average birthrates, the largest groups—Tatars and Bashkirs, who currently make up more than half of Russia's ethnic Muslims—have the birthrates closest to the national average (Heleniak, 2006, p. 435).

⁶¹ "Labor Migrants Annually Take Out \$10 Billion from Russia—Official," ITAR-TASS, January 5, 2007; and Tamara Zamyatina, "Russia's Love-Hate Relationship with Migrants," *Moscow News*, No. 41, October 27, 2006, p. 1.

⁶² "Head of the Federal Migration Service Konstantin Romodanovsky Estimates Annual Remittances from Russia by Labor Migrants at \$10 Billion," ITAR-TASS, January 5, 2007.

⁶³ In 2005, estimated remittances to Tajikistan totaled nearly \$1 billion. This sum represents approximately 30 percent of Tajikistan's GDP and twice the government's annual budget revenues. These monies are primarily used by families of the migrants and have contributed to a drop in poverty rates from 89 percent in 1999 to 63 percent in 2004. See Sobir

are ethnic Russians, and a large percentage are Muslim (by ancestry if not in practice), this further contributes to worries about demographic imbalances in Russia.

The internal security threats inherent in a changing Russia stem in large part from the long history and modern-day persistence of xenophobia throughout the country. Polls reveal that over one-third of respondents believe that the presence of ethnic minorities in Russia brings more harm to the country than good.⁶⁴ From 2004 to 2007, the number of violent attacks motivated by racism more than doubled, according to a Sova Center report on xenophobia in Russia.⁶⁵ Russian authorities, especially the police, appear to give tacit consent to these activities by failing to prosecute perpetrators or by charging them with minor offenses, such as “hooliganism.” Groups of skinheads and ultra-nationalists propagate “Russia for Russians” and similar slogans. Arguably, government policies have done more to perpetuate these attitudes than combat them. According to a law enacted April 1, 2007, non-Russian citizens are no longer allowed to hold retail positions in markets and other venues. The mayor of Moscow, Yuri Luzhkov, has announced his intention to cap the number of migrant laborers permitted to work in the city, despite the labor shortages that would result from the implementation of quotas.⁶⁶ Politicians, scholars, and common citizens alike speak of the threat that some migrants, like the Chinese, would pose to Russia’s sovereignty if these groups were to begin to outnumber ethnic Russians in certain regions of Russia.⁶⁷

Kurbanov, “Labor Migration from Tajikistan and Its Economic Impact,” *Central Asia and the Caucasus*, No. 5, 2006, pp. 60–70.

⁶⁴ “Mezhnatsional’nye Konflikty v Rossii [Interethnic Conflicts in Russia],” FOM: Public Opinion Foundation, June 5, 2007.

⁶⁵ Galina Kozhevnikova, “Radikal’nyi Natsionalizm v Rossii i Protivodeistvie Emu v 2007 Godu [Radical Nationalism in Russia and Actions Against It in 2007],” *SOVA-Tsentr*, undated.

⁶⁶ Aleksandr Voronov and Andrei Kozenko, “Inorodnoe Delo: Yurii Luzhkov Nachinaet Kampaniiu Protiv Migrantov [Foreign Affair: Yurii Luzhkov Is Starting a Campaign Against Migrants],” *Kommersant*, Vol. 3674, No. 98, June 7, 2007.

⁶⁷ For more detail, see Mikhail A. Alexseev, *Immigration Phobia and the Security Dilemma: Russia, Europe, and the United States*, New York: Cambridge University Press, 2006.

The federal government has attempted to balance its need for more immigrant workers and Russians' dislike of foreigners by developing a program to entice ethnic Russians living abroad to return to Russia. In Putin's words,

regarding migration policy, our priority remains to attract our compatriots from abroad. In this regard we need to encourage skilled migration to our country, encourage educated and law-abiding people to come to Russia. People coming to our country must treat our culture and national traditions with respect.⁶⁸

The program, which will receive more than 1 billion rubles through 2010, identifies priority regions of Russia and provides financial assistance for resettlement. The Federal Migration Service (FMS) plans to attract 300,000 ethnic Russian immigrants by 2012, but hopes run even higher: The deputy director of the FMS, Vyacheslav Postavnin, believes that, of the 30 million ethnic Russians living abroad, 20 million to 25 million may return to Russia under the auspices of this program.⁶⁹ Actual results have fallen far short of targets, however: 890 program participants relocated to Russia in 2007—instead of the 50,000 originally expected—and only another 15,000 reportedly submitted applications. Nonetheless, FMS expects 88,000 individuals to relocate to Russia through this program in 2008.⁷⁰

⁶⁸ Putin, 2006.

⁶⁹ "Thousands of People to Resettle to Russia Under State Program," *ITAR-TASS Daily*, July 25, 2007; Yevgeny Tkachev, "Assistance to Compatriots Abroad Planned," *ITAR-TASS Daily*, October 12, 2006; and "Implementation of Immigration Programme to Be Started Soon," *ITAR-TASS Daily*, April 2, 2007.

⁷⁰ Ol'ga Proskurnina, "Interviu: Konstantin Romodanovskiy, Direktor Federal'noi Migratsionnoi Sluzby [Interview: Konstantin Romodanovsky, Director of the Federal Migration Service]," *Vedomosti*, No. 134, July 24, 2006; "88,000 Former Compatriots May Return to Russia in 2008," *ITAR-TASS Daily*, December 18, 2007; and Konstantin Romodanovskiy, "Vystuplenie Direktora FMS Rossii . . . [Presentation of Russia's FMS Director . . .]," January 31, 2008. Even the revised 2008 estimate, down 12 percent from the original target of 100,000, seems naively optimistic.

Policy Toward Islam and Violence in the North Caucasus

The challenges of a proportionately larger Muslim population are exacerbated by Russia's past and present behavior toward that minority. Russia's efforts to engage the global Muslim community—such as its ties with Hamas and Putin's remarks at the 2003 Organization of the Islamic Summit, where he spoke against Islamophobia and where Russia eventually achieved observer status—are seen as encouraging by Russian Muslim leaders, but significant gaps exist between foreign and domestic policies toward Islam.⁷¹

The situation in the North Caucasus illustrates Russia's counter-productive approach to the most densely Muslim parts of the country. At the conclusion of the First Chechen War in 1996, Chechen leaders were unable to maintain government unity based on secular principles of sovereignty, Chechen nationalism, and government and leadership fractured along religious and ideological lines. Radical Islamist ideas began to gain popularity among certain groups within Chechnya and in the surrounding republics of Dagestan, Kabardino-Balkariya, and Karachaevo-Cherkessiya, where communities of adherents to Islamist principles (*jamaats*) were formed. In 1999, then-Prime Minister Putin used the incursions of Chechen *jamaat* members into Dagestan as a pretext to reinstate a Russian military offensive in Chechnya. The Second Chechen War was remarkable for its brutality on both sides and for the adoption by Islamists of terrorist tactics as their primary means of fighting a much stronger Russian enemy.⁷²

Moscow's involvement in the North Caucasus continues to have negative ramifications. Regional leaders chosen by the Kremlin to maintain order often resort to ineffective and heavy-handed measures, such as arbitrary arrests and "mop-up" operations, to stamp out Islamism. These actions have contributed to further destabilization of

⁷¹ Aleksei Malashenko, "Faktor Islama v Rossiiskoi Vneshnei Politiki [The Islam Factor in Russian Foreign Policy]," *Global Affairs*, No. 2, March–April 2007.

⁷² Author discussions with Russian and Western specialists and analysts, Russia and United States, summer 2007.

the region.⁷³ The difficulty of isolating the leaders of radical Islamic groups has sometimes prompted government officials to target moderate Muslim leaders for harassment, persecution, and prosecution. Locals who oppose these government actions are thus left with few options for political mobilization other than joining the radical Islamists.⁷⁴

Throughout the North Caucasus, poor political leadership and a bleak socioeconomic situation combine to create a volatile mix. Family sizes in this region tend to be the largest in Russia, but jobs are scarce. The labor force in the North Caucasus is growing, and unemployment—especially among the young working-age cohorts—is exceptionally high. For example, some experts estimate that up to 90 percent of youth in Dagestan are unable to find a job.⁷⁵

During the Soviet and post-Soviet periods, ethnic identity has tended to take precedence over religious affiliation among ethnic Muslims. Ethnic rivalries throughout the North Caucasus and Volga regions and Soviet-era divisions in official Muslim directorates have prevented ethnic Muslims from forming a unified political front.⁷⁶ But in recent years, radical Islam has grown in popularity. Hahn estimated that as many as a dozen jihadist *jamaats* were present in Russia outside of Chechnya as of 2006, even in traditionally moderate Tatarstan and Bashkortostan.⁷⁷ Even if only one-fifth of Russia's ethnic Muslims actively practice their religion, the remaining 80 percent, in Hahn's opinion, may be easily "re-Islamicized." These people might therefore be thought to represent a potential pool of recruits to radical political Islam.⁷⁸ Just how many would, in fact, be amenable to such beliefs is, of course, unknown—it seems intuitive that most would not. In

⁷³ Emil Pain, "Moscow's North Caucasus Policy Backfires," *Central Asia–Caucasus Institute Analyst*, Vol. 6, No. 13, June 29, 2005.

⁷⁴ Hahn, 2007.

⁷⁵ Twigg, 2005, p. 137. Some specialists point out that there are also pockets of wealth in these regions (author discussions with Russian and Western specialists and analysts, Russia and the United States, June 2007).

⁷⁶ Hahn, 2007, p. 20.

⁷⁷ Hahn, 2007, pp. 66–67.

⁷⁸ Hahn, 2007, p. 12.

the meantime, however, the rise of xenophobic and Islamophobic incidents coupled with the lack of a coherent and constructive government policy toward the country's Muslims may also ostracize Islamic groups and separate them from the mainstream, making radical views, based in religion or not, more appealing.⁷⁹

Ethnic tension and related violence are highly likely to rise unless the Russian government changes its approach. Failure on the Kremlin's part to reconcile ethnic Slavs with other minorities within the Russian population could motivate Russia's previously fractured Muslim leadership to unite and create a formidable social and political opposition. Even without unity, discontent and frustration among these populations could have unfortunate repercussions for Russia as a whole. The most charismatic leaders may not be the most moderate; Russia could therefore see a rise in support for extremists, a spread in terrorist activity, and a loss of influence over the regional governments of the already volatile North Caucasus. Reports from the region indicate that this may already be under way.⁸⁰

Russian Public Opinion

Russia may not be a liberal democracy, but what people think matters to the government to some degree. Putin's success in consolidating power is due in no small part to his popularity. Government control of the media limits the information available to the general public, so it is no surprise that Russian public opinion aligns with elite views in many areas. Some polling firms are receptive to Kremlin guidance on questions to ask and topics to raise, potentially skewing polling outcomes. Nevertheless, available polling data do show that public and elite opinions can diverge, raising some interesting issues for Russia's future.⁸¹

⁷⁹ Hahn, 2007, p. 55.

⁸⁰ Andrei Smirnov, "Dagestan's Expanding Insurgency," *Chechnya Weekly*, Vol. 9, No. 7, February 21, 2008.

⁸¹ Eugene Rumer, "Russian Foreign Policy Beyond Putin," International Institute for Strategic Studies, Adelphi Paper 390, Vol. 47, 2007, p. 45.

Some of these discrepancies, including of Russia's role in the world and the country's relations with the United States and China, are discussed in Chapter Four. On the domestic front, it is interesting to note that throughout Putin's presidency, most Russians continued to have high confidence in Putin as a leader, but were less enthusiastic about some of Putin's specific policies. Overall ratings of the government lag behind ratings of Putin and Medvedev and, over time, polls have reported consistent dissatisfaction with health care and education in the country and ambivalence about the country's economic state.⁸² That said, in contrast to some elites, most of the public sees little danger of an economic crisis or a chaotic change in government. As of 2008, at least, the Russian populace appeared to have a pervasive sense that Russia was heading in the right direction.⁸³

Implications of Domestic Threats for Foreign Policy

Strengthening of the *vertikal vlasti* under Putin has rendered Russia's government insular and unaccountable. Political office is only accessible to individuals willing to stick to pro-government party lines. Within the administration, there is little incentive for innovation or to push for tangible change. Polls indicate that, in general, Russians have supported Putin's centralizing reforms.⁸⁴ This support emboldens the Kremlin to ignore criticism about dismantling democratic institutions. It also enables the administration to use a heavy hand against political opponents who are frustrated by their lack of political voice but unable to work in concert to garner stronger popular support. Spurred by continuing concerns that foreigners are funding "revolutions" in other

⁸² See "Reitingi Odobreniya [Approval Ratings]," Levada-Center, October 16, 2008; "Zdorovye [Health]," Levada-Center, October 2008; "Obrazovaniye [Education]," Levada-Center, October 2008; and "Ekonomicheskaya Situatsiya [Economic Situation]," Levada-Center, February 2008.

⁸³ "Vnutrenniia Ugroza Rossii [Russia's Internal Threat]," Levada-Center, February 8, 2008.

⁸⁴ "Blagopoluchie Strany: Ekonomika i Vlast' [Well-Being of the Country: The Economy and Power]," Levada-Center, February 4, 2008.

former Soviet republics, the Kremlin has taken further steps to limit outside influence on society by significantly curtailing NGOs (especially those that receive funding from Western governments). Seeking to garner greater legitimacy for Russia's system of government, the Russian government now itself supports think tanks (including abroad, in Paris and New York) that critique Western democracies.

With the elections successfully past, the Kremlin may have concluded that its approach has largely succeeded. The pro-Putin youth movement *Nashi*, a self-styled vanguard against the anti-government revolution, was formally disbanded at the national level in spring 2008 because its services were no longer needed after the elections (although various activities by the group continued). Thus far, however, any sense of consolidation has not translated into any easing up on political opponents.

It is possible, however, that the Medvedev presidency will bring the pursuit of less-confrontational foreign policies and greater willingness to cooperate internationally. However, the presence of many competing factions in the government will make it challenging to form a coherent, consistent approach to foreign policy. The *siloviki* demand respect for Russia from the international community, but policies toward that end have been erratic and poorly understood by external observers. As two former administration members critically argue, "we [Russia] are not respected, we are feared, as people with an imbalanced psyche are feared." These two observers credit Russia's recent aggressive stances to "unprofessional leadership with Soviet instincts" that is characterized by "an inability to carry out normal dialogue and the degradation of our diplomacy."⁸⁵ The overlap of political and business circles gives elites incentives to pursue policies that will keep Russia attractive to international investors and businesses. The elites, the government, and the people, to widely varying degrees, all benefit from Russia's growing prosperity. But there will continue to be contradictions and the temptation to use domestic levers of authority—such as the judiciary—to achieve results that the Kremlin considers advantageous.

⁸⁵ Vladimir Milov and Boris Nemtsov, "Putin: Itogi [Putin: Results]," Grani.ru, February 7, 2008.

Demographic pressures may force Russia to consider trade-offs in spending on health care, pensions, education, infrastructure, and security. They will also affect relations with neighboring countries, from which most of Russia's immigrants come and in which many ethnic Russians reside, as Russia further develops its policy on immigration. The trajectory of Russia's relations with nations in the Middle East and other countries with predominantly Muslim populations may be shaped, in large part, by how well Russia manages to quell growing tensions within its own multiethnic, multiconfessional population. More conflict in southern Russia or continued economic downturn would be a major blow to Russia's internationally projected veneer of success and stability. In the face of such a crisis, the Russian government might be likely to shift its focus even more inward, devoting less time and fewer resources to foreign policy. On the other hand, depending on to what extent domestic problems truly consume resources, it is possible that Russia might respond to difficulties at home with a more adventurous foreign policy designed in part to distract its public from domestic woes.

Russia's Economy and Russian Resources for Defense

The previous chapter addressed the domestic issues that will influence and shape Russian foreign and security policies in coming years. This chapter assesses the resources that the Russian leadership might have at its disposal in the coming decades. The chapter first estimates the likely trajectory of Russian economic growth and analyzes the current and future role of energy in the Russian economy. The chapter then turns more directly to implications for defense and security spending, addressing recent and likely future security spending by Russia. We conclude the chapter with an assessment of the financial and commercial health of the Russian defense industry.

Outlook for the Russian Economy

The Recovery

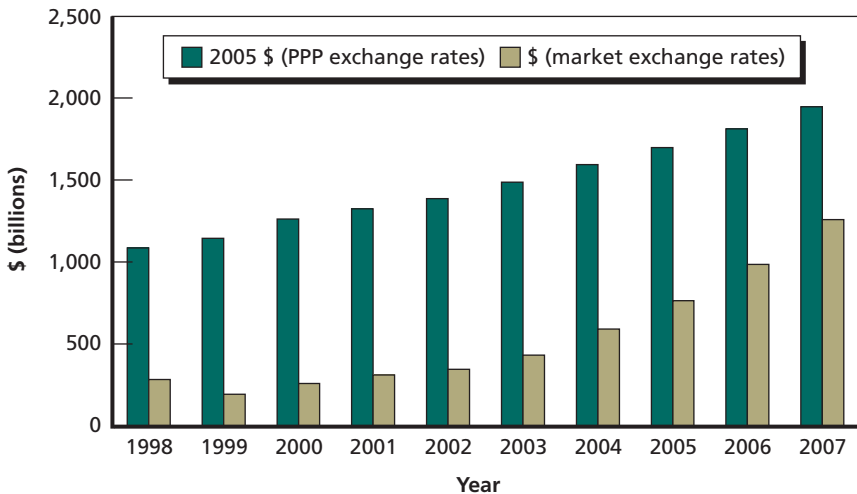
The ten years that followed the crash of the ruble in 1998 marked Russia's best decade of economic growth since before World War II.¹ Annual GDP growth averaged 6.7 percent between 1998 and 2007.

¹ Soviet statistics were always difficult to interpret. Central Intelligence Agency estimates of post-World War II Soviet growth in GDP are highest for 1950–1955 at 6.0 percent (Rush V. Greenslade, “The Real Gross National Product of the U.S.S.R., 1950–1975,” in Joint Economic Committee of Congress, *Soviet Economy in a New Perspective*, Washington, D.C.: U.S. Government Printing Office, 1976, p. 279). Soviet growth was estimated to have fallen below 4 percent in the 1970s and to have slowed even more dramatically in the 1980s (Stanley H. Cohn, “Soviet Intensive Economic Development Strategy in Perspective,” in

After a chaotic transition from central planning to a market economy in the 1990s, Russia regained its economic footing. Even more striking was the turnaround in dollar GDP (see Figure 3.1). Due to this solid economic growth and the appreciation of the Russian ruble in real effective terms (abstracting for differences in inflation between the ruble and dollar) since the ruble's 1998 collapse, dollar GDP increased at an average annual rate of 26 percent between 1999 and 2007. This is 2.5 times the rate at which Chinese dollar GDP was growing. Russia's GDP equaled \$1.29 trillion in 2007, putting Russia back into the ranks of the ten largest economies in the world.

Many of the factors that have driven growth in other transition economies also spurred growth in Russia. As in Armenia, Georgia,

Figure 3.1
Russian GDP at Market Exchange Rates and 2004 Purchasing Power Parity Exchange Rates



SOURCES: GDP at market exchange rates come from the Russian Statistical Service, various years. GDP at PPP exchange rates come from the World Bank, "Russian Economic Report," February 2004; and RAND estimates.

RAND MG768-3.1

and Ukraine (other members of the CIS that enjoyed rapid growth, although they lack Russia's energy riches), market disciplines and the shift from state ownership to private ownership have resulted in massive improvements in the efficiency with which capital and other resources are used. As a consequence, Russia registered double-digit annual increases in labor productivity in manufacturing. The proliferation of private businesses also made the economy much more responsive to shifts in demand. The creation of new businesses in mobile telecommunications, retail trade, and financial services has resulted in rapid growth in the service sector, more rapid than in industry. These new private companies fill demand for services that were unavailable under central planning. Large increases in trade and, more recently, foreign direct investment have been integrating Russia's economy with the rest of the world. Russia's relations with the European Union (EU) have grown especially close. The EU buys half of Russia's exports and supplies over two-fifths of its imports. In contrast, the share of Russian exports and imports going to or coming from the 11 former Soviet republics that constitute the rest of the CIS hovers around 15 percent.

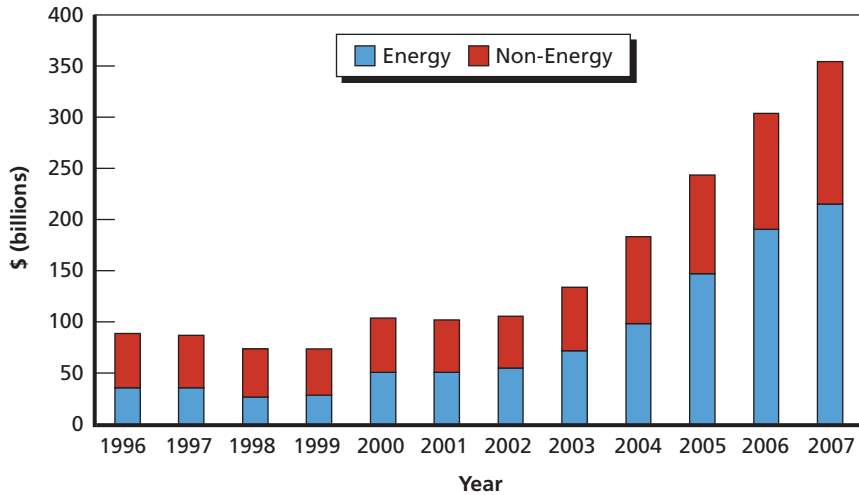
Because Russia's population has fallen, per capita income has grown more rapidly than GDP, rising from \$1,312 in 1999 to \$9,070 in 2007. Not all the economic benefits accrued to the wealthy: Average monthly wages rose eightfold, from \$62 in 1999 to an estimated \$529 in 2007. It is little wonder that Putin's approval ratings have been so high and that Russians look back with such distaste on the economic turmoil of the 1990s.

Energy and the Russian Economy

One of the hallmarks of Russia's recovery has been the boom in earnings from oil and gas exports, which has boosted tax revenues. However, oil and gas have played a smaller role in spurring Russian economic growth than is frequently suggested in the popular press.

Earnings from petroleum, gas, and refined-oil product exports rose from a low of \$28 billion in 1998, the year in which the ruble crashed, to \$217 billion in 2007 (see Figure 3.2). Despite substantial increases in exports of other commodities, the share of energy exports (by dollar value) in total exports also rose, from 37 percent in 1998 to

Figure 3.2
Russian Energy and Non-Energy Exports



SOURCE: Central Bank of Russia, "Balance of Payments of Russia: Analytical Presentation," various years.

RAND MG768-3.2

61 percent in 2007 (although this 2007 figure is down from 63 percent in 2006). The increase was driven by the rise in prices for Russian oil and gas in export markets and by increased export volumes of oil.

Oil and natural gas have played a major role in boosting Russian tax revenues. The Russian government derives revenues from the oil and gas industries from royalty payments, taxes on exports, domestic excise taxes on gasoline and diesel, profit taxes on energy companies, and a variety of other levies. The Ministry of Finance calculated that 2006 revenues from oil and gas totaled 3.1 trillion rubles (about \$115 billion), an amount equal to half of all federal government revenues.² Most of this money came from oil: Excess taxes on gas exports were eliminated in 2004 as a sop to Gazprom for keeping domestic gas prices low. The role of energy taxes in consolidated government revenues (i.e., revenues for all levels of government) is smaller, and government revenues

² Peter Netreba, "Finance Ministry Cleanses Budget of Oil," *Kommersant*, August 28, 2006.

from oil alone totaled 38.6 percent of consolidated revenues in 2006.³ By comparison, oil revenues as a share of total government revenues were just 16.5 percent in 2003. Higher oil prices and exports have thus played a major role in boosting government revenues.

Oil and gas revenues have played a much smaller role in financing expenditures than their share in total government revenues would suggest, and because of stagnating output and the decline in world market prices, they will play an even smaller one in the near future. In 2006, roughly two-thirds of oil and gas revenues were parked in a stabilization fund reserved for a future time when oil and gas revenues decline. This decision, driven by Finance Minister Alexei Kudrin, provided the Russian government a cushion (as planned) during the financial panic in the fall of 2008. Because such a large share of oil revenues has been saved, the remainder covered only one-quarter of federal government expenditures in 2006 and about one-seventh of consolidated expenditures.

Even before the sharp fall in oil prices in the fall of 2008, the Russian Ministry of Finance had projected that the role of oil and gas revenues would diminish sharply over the ensuing three years. It assumed that a combination of growth in non-energy revenues, lower world market prices for oil and gas, and already evident modest growth in export volumes would result in a decline in oil and gas revenues as a share of total revenues from about half in 2006 to less than one-third in 2009.⁴

The declining prices of oil and natural gas are not the end of the world for the Russian economy, however. Oil and gas contribute less to GDP than they do to exports or budget revenues. A 2004 study cited by the World Bank estimated that oil and gas production accounted for 25 percent of GDP in 2000 (compared to the Russian figure of 8.8 percent that was derived from official input-output tables).⁵ Russia revised

³ International Monetary Fund, "Russian Federation: 2006 Article IV Consultation—Staff Report," Country Report No. 06/429, Washington, D.C., December 2006, p. 35.

⁴ Netreba, 2006.

⁵ The authors of the study recalculated the contribution of oil and gas production to GDP by reallocating portions of value added ascribed to transportation and trade to oil and gas production. To do so, they substituted margins on transportation and trade in oil and gas

its GDP-accounting methodologies after 2000. Using standard international methodologies, and after cracking down on transfer pricing (a cause of the discrepancy between the estimate cited by the World Bank and the estimates of earlier Russian figures), the Russian government estimated that oil and gas production would generate 18.9 percent of Russia's GDP in 2007.⁶ Russia's Ministry of Finance projects that the contribution of oil and gas to GDP will decline to 15 percent by 2010 as growth in other sectors outpaces increases in Russia's output of oil and gas.⁷

Oil and gas have played a much smaller role in spurring Russian economic growth than they have in boosting Russian exports or increasing budget revenues. Between 1998 and 2007, output of gas (by volume) rose just 10.6 percent compared to the 79-percent increase in GDP. The volume of oil output, up by 62 percent, has also considerably lagged growth in GDP (see Figure 3.3). The most dynamic sectors of the Russian economy have been construction, transport and telecommunications, retail and wholesale trade, and financial services—not oil and gas.

Oil and gas exports may have accounted for about one percentage point per annum of additional growth in GDP between 1998 and 2007. Although increases in the output of oil and, especially, natural gas have lagged GDP growth, Russia has benefited from increased revenues from oil and gas exports as export prices have risen more rapidly than the prices Russia pays for imports. This improvement in Russia's terms of trade has been a major factor in the real effective appreciation of the Russian ruble and the concomitant increases in dollar incomes of Russians. In an effort to measure the additional growth spurred by increases in Russian exports of oil and gas, we regressed changes in oil and gas exports in constant 2002 dollars on changes in GDP.⁸ We found that when exports of oil and

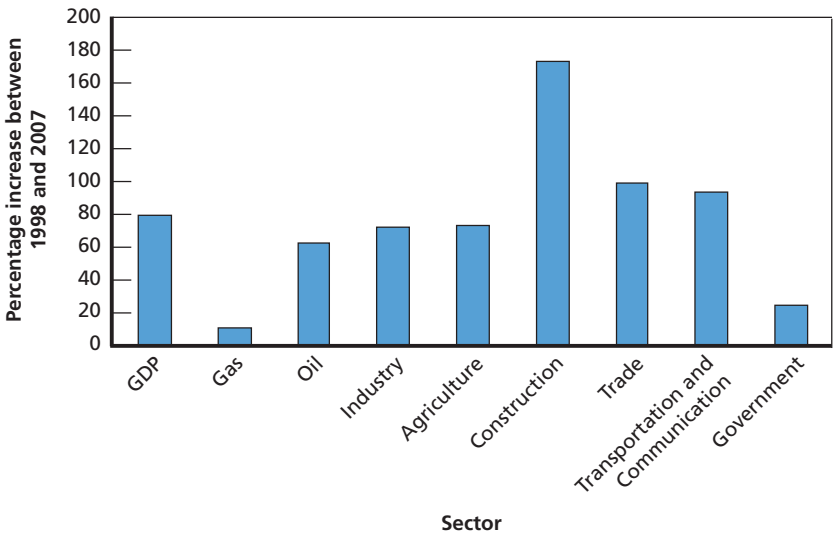
from the United Kingdom and the Netherlands for those reported by Russia. Margins on oil and gas trade and transport in Russia were several times higher than in those two countries due to transfer pricing designed to avoid taxes (World Bank, 2004, p. 15).

⁶ Vyacheslav Nikonov, "Oil, Gas, and Democracy," *Izvestia*, May 4, 2007.

⁷ Nikonov, 2007.

⁸ The regression yielded the following equation: percentage change in GDP = $4.57 + 0.066 \times$ percentage change in energy exports.

Figure 3.3
Cumulative Growth in Output or Value Added, 1998–2007



SOURCE: Russian Statistical Service, various years.

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gas are unchanged, trend growth in GDP averages 4.6 percent. Changes in oil and gas exports explain a little over half of the fluctuations around this figure. Looking at this another way, the Russian economy has been

In this equation, *percentage change in GDP* refers to the change in GDP over the same quarter of the proceeding year; *energy exports* are defined as Russian exports of natural gas, petroleum, and refined-petroleum products in constant 2002 dollars. The t-statistics for the parameter estimates are 10.17 and 5.9, respectively. The R-squared was 0.54, and the F-statistic was 35.3. There were 32 observations.

Given that the observations in the data contain a time component, we examined the residuals of the simple linear regression model for evidence of serial correlation. As expected, the year-to-year seasonal difference structure of the data eliminated seasonal correlation. However, we did find evidence of correlation between adjacent quarterly observations (confirmed with a Durbin-Watson test; $p = 0.006$), suggesting that the residuals followed a lag 1 autoregressive structure. We refit the regression specifying lag 1 autoregressive error structure, and found that although the regression coefficient estimates and the standard error estimate of the regression coefficient for fuel were nearly identical to those of the simple regression model, the standard error of the regression intercept estimate increased by just over 50 percent. However, even with the larger error estimate, the regression intercept was still clearly significant ($p < 0.0001$).

growing at an average annual rate of 6.7 percent since 1998. Oil and gas exports explain about half the difference between trend growth of 4.6 percent and the actual average of 6.7 percent.

Substantial shares of earnings from oil and gas exports have been put in the stabilization fund and invested abroad. This activity does not stimulate economic growth, further weakening the argument that the boom has been solely driven by the oil and gas sector. The recent boom in investment in Russia was driven by imports of capital and by retained earnings from Russian companies, energy and non-energy alike, as Russian companies have borrowed abroad and Western companies have invested in Russia. For example, in 2006, excluding the \$107.5 billion increase in official reserves that was mostly invested in foreign-government bonds, Russia exported \$63.0 billion in capital while receiving \$68.9 billion in investment from abroad. The capital exports primarily came from energy earnings; capital inflows primarily went to Russian banks and were lent to Russian businesses (of all stripes and sizes) and to Russian consumers, who used these funds to purchase cars and buy and renovate their homes.

In short, the oil and gas sectors play an important but by no means dominant role in the Russian economy. Exports of oil, natural gas, and refined-oil products have grown with vigor since their low point in 1998 and now account for almost two-thirds of exports. However, exports of other products have doubled during this period. In 2006, the oil and gas sectors accounted for half of federal government revenues and over one-third of consolidated government revenues. However, roughly two-thirds of this revenue was placed in the Stabilization Fund and invested in U.S. Treasury products and other foreign assets and thus does not directly spur economic growth. These funds played a major role in tempering the economic decline in the last quarter of 2008. Taxes tied to the oil and gas sectors only cover one-quarter of government expenditures; three-quarters of government expenditures are financed by tax revenues from other sources. The oil and natural gas sectors accounted for only 18.9 percent of GDP in 2007, and this share was already declining. Production of oil and, in particular, natural gas has consistently lagged growth in GDP growth. As in other transition economies, the key drivers of growth have been increases in

the productivity with which capital and labor are used and the expansion of previously neglected sectors, like services.

What of Russia's future gas and oil output? In terms of gas production, the range of forecasts for increases through 2020 run from 730 billion to 850 billion cubic meters (bcm), up from 656 bcm in 2006.⁹ Although the numbers are large, the rates of growth are not; at just 0.8–1.9 percent per year, they are far below likely rates of growth in GDP and are roughly in the vicinity of the average increase (1.01 percent) in Russian gas output between 1998 and 2007.

These growth rates are predicated on large investments in new gas fields by both Gazprom and private operators. The International Energy Agency (IEA) estimates that Gazprom will have to invest an average of \$17 billion per year to boost its own production. Private operators will have to expand output from 92 bcm in 2006 to 148 bcm by 2010, and will have to continue to boost production thereafter to reach these projected levels of output. But Gazprom has not been making these investments. Instead, it has borrowed heavily from abroad to acquire assets in Russia and the downstream operations of major customers in Europe.¹⁰ Moreover, Gazprom has taken such an aggressive posture toward private, especially foreign, gas projects in Russia (for example, it demands that the lead companies sell Gazprom stakes at less than fair value), that it is unlikely that foreign companies will make the needed investments in gas production to achieve these levels of output.¹¹

⁹ The first number is from Russian Federation Ministry of Industry, *Energeticheskaya Strategiya Rossii na Period do 2020 Goda [Russian Energy Strategy for the Period to the Year 2020]*, August 28, 2003. The second is from U.S. Department of Energy, Energy Information Agency, *World Energy Outlook*, 2007.

¹⁰ Vladimir Milov, "Russian Oil and Gas Sector: Major Slowdown Amid Increased State Interference," presentation, Georgetown University, October 29, 2007.

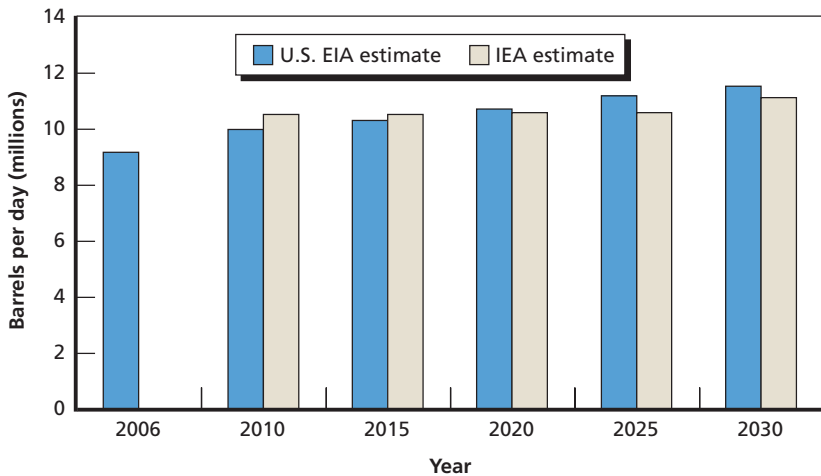
¹¹ In June 2007, TNK-BP, a major Russian oil company, was forced to sell a 63 percent stake in the Kovytko project to Gazprom for \$700 million–\$900 million, substantially less than the value of the field. It will be able to repurchase a 16 percent stake. In December 2006, Shell and its Japanese partners were forced to sell a majority stake in Sakhalin II to Gazprom. In both instances, the Russian government manipulated contract clauses or environmental regulations to force the sales.

Gazprom has made a number of long-term export commitments to other European countries, especially those in the EU. The members of the EU are relying on Russia as the primary source of additional gas for the next quarter century. If growth in Russia's domestic demand exceeds the slow rate of growth in supply, EU members could be left out in the cold. However, the economics suggest that EU customers will be safe. Gazprom makes far more on sales to Europe than domestic sales, making the EU market more attractive than the Russian market. More importantly, Russia is a highly inefficient user of natural gas: It uses 3.2 times more energy (mostly gas-based) per unit of GDP than the EU-25. Like other former centrally planned states, Russia has enormous opportunities for energy conservation. Gazprom has received permission to raise domestic prices from \$45 per thousand cubic meters to \$125 per thousand cubic meters by 2011 for all but its residential customers (who account for just 12 percent of domestic consumption). These price increases should lead to substantial improvements in energy efficiency in Russia and should moderate domestic demand for natural gas. Higher prices have already stimulated improvements in efficiency in Georgia, Moldova, and Ukraine. (Before these improvements, Ukraine's economy was even more energy inefficient than Russia's.) These countries are now following a pattern set by Central Europe, where higher prices for natural gas resulted in sharp improvements in energy efficiency. It is hard to argue that Russian industry, which is more sophisticated than Ukraine's and just as market driven, will not be able to replicate improvements similar to those already made by its neighbors.

Although oil is a more important source of Russian government revenues than gas, concerns about Russian oil supplies are more muted, primarily because alternative sources of supply are much more readily available for oil than for gas. In 1987, Russian production reached its all-time peak of 12 million barrels per day (mbd). After the collapse of the Soviet Union in 1991, production halved, reaching just 5.9 mbd in the mid- to late 1990s. But production began to recover in 1999, and by 2006, production had risen to 9.2 mbd.

Russian oil production is projected to grow at an annual rate of approximately 1.5–2.5 percent over the next two decades, reaching 10 mbd in 2010 and more than 11 mbd in 2030 (see Figure 3.4). The

Figure 3.4
Projections of Oil Output Through 2030



SOURCES: International Energy Agency, *World Energy Outlook 2007*, Paris, 2007; and U.S. Department of Energy, Energy Information Agency, *International Energy Outlook 2007*, 2007.

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IEA, the Energy Information Administration (EIA) of the U.S. Department of Energy, and Russian sources all project output within this range. Concerns about Russia's ability to increase oil output are less prominent than similar concerns about gas. Although output from state-controlled companies has increased (largely through increased state control of oil companies), most oil is still pumped by private companies. Because these companies are better managed than Gazprom, most analysts believe that they will succeed in boosting output to projected levels.

Russia's Economic Future: Continued, but Slower, Growth

GDP still grew strongly through the first three quarters of 2008, although the economy probably entered a recession in the last quarter. In past years, the boom in consumption and investment has stoked growth in retail trade, financial services, and construction. Growth in weaker sectors of the economy, most notably manufacturing, accelerated. The investment boom expanded industrial capacity and improved efficiency. Productivity growth was strong. After a recession in the first part of 2009, the Rus-

sian economy is likely to recover, but growth will be slower than over the last decade. The Ministry of Finance projected that between 2008 and 2010, Russian GDP would grow by 6.0–6.2 percent per year.¹²

Putin had higher hopes. As president, he set a goal for an average annual rate of GDP growth of 7 percent for the next several years. This rate was very ambitious. With the exception of China, no large transition economy has been able to sustain such a rapid rate of growth over an extended period of time, although smaller economies have done so. Estonia averaged growth of 7.3 percent between 1994, when its growth spurt began, and 2007, but Latvia and Lithuania never reached 7.0-percent growth. Armenia and Azerbaijan averaged growth of 8.9 percent and 10.0 percent, respectively, between 2004 and 2008, but both countries started from very low levels of output.

Larger transition economies more comparable to Russia in terms of per capita income, including the Czech Republic, Hungary, and Poland, have grown more slowly. Between 2002 and 2007, they averaged annual GDP growth of 4.6 percent.¹³ These three countries, however, are members of the EU. This makes them more attractive destinations for foreign investment because property rights are better enforced and taxation and regulatory policies are implemented in accordance with the law. They thus have a stronger institutional basis for a market economy and it would be surprising if Russia were to enjoy growth that surpassed 4.6 percent in the coming years. Moreover, a 4.6 percent rate of growth matches the estimate for trend growth in Russian GDP that we calculated above when we estimated the contribution of changes in Russian exports of oil and gas to Russian growth since 1998.

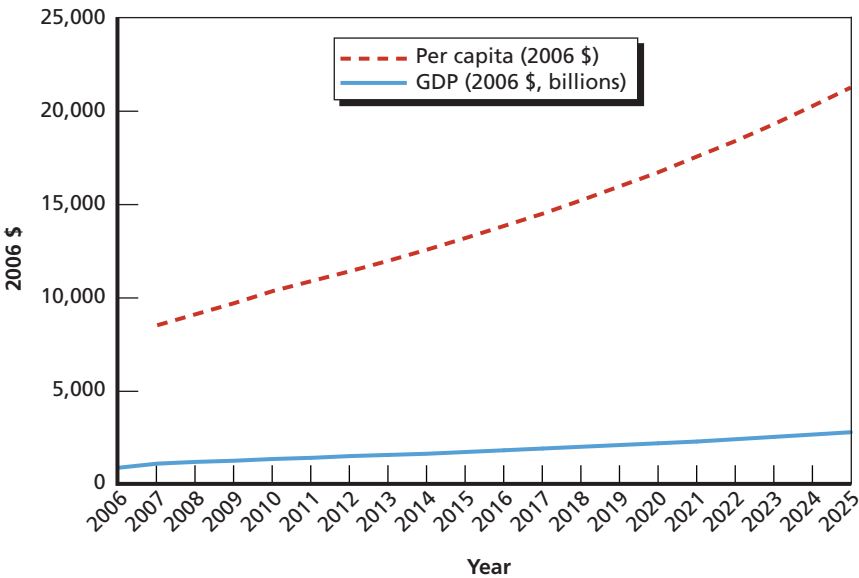
To project Russian GDP through 2025, we accepted the Ministry of Finance's forecast through 2010. The ministry has generally been

¹² "Federation Council Approves Three-Year Budget," RIA Novosti, July 11, 2007.

¹³ The year 2002 is roughly when these three countries attained per capita dollar GDPs roughly similar to Russia's per capita level of dollar GDP in 2006 (\$6,896). On average, these three countries have enjoyed more-rapid growth since 2002 than they did between the end of their initial transition recessions and 2002. Average annual growth for the three countries between 1994 (when Hungary emerged from its transition recession) and 2006 averaged just 4.1 percent.

fairly conservative in its forecasts.¹⁴ After 2010, we project that growth will moderate to an average annual rate of 4.6 percent through 2025. Because the ruble has ceased appreciating against the dollar, growth in dollar GDP will no longer be boosted by this factor. Under these assumptions, Russia's GDP will total \$2.9 trillion (2006 dollars) in 2025 (see Figure 3.5). If France, Germany, and the United Kingdom were to continue to grow at their average annual rates of the past decade, by 2025, the Russian economy would be 16 percent smaller than the economy of France, 24 percent smaller than the economy of Germany, and 29 percent smaller than the economy of the United Kingdom. Per capita income would reach \$21,263 (2006 dollars) in 2025, a total equal to a little over half of the current U.S. level but roughly equal to per capita incomes in lower-income West European countries today.

Figure 3.5
Projected Growth in GDP and Per Capita GDP, 2006–2025



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¹⁴ In the wake of the economic downturn of the final quarter of 2008, new estimates and some budget reallocations are likely. Their specifics are not, however, clear at the time of this writing, and we find that the previous estimates remain useful for the purposes of our analysis.

How likely is it that Russia will grow faster or slower than this rate? Since 1998, the economy has surprised most analysts by performing so well that annual GDP growth has averaged 6.7 percent. In our view, however, it is highly unlikely that Russia will grow much more rapidly than 4.6 percent per year over the next two decades.¹⁵ The recession at the end of 2008, the impending decline in the domestic labor force, a consensus within the Russian and international oil and gas industry that increases in energy output will be modest, the inefficiencies of the Russian government, and, most importantly, the high level of corruption in the country are almost certain to bring growth rates down.

Threats to Growth

As shown by the events of 2008, Russian growth could fall below the projected annual rate of 4.6 percent. To begin with, this growth is predicated on Russia's continued integration into a growing global economy. Recent growth has depended heavily on imports of new technologies, the ability of Russian companies to export, and improvements in productivity and quality driven by competition from imports. Gains from trade and the benefits of foreign direct investment through the transfer of technologies, capital, marketing, and management expertise will not transpire unless Russia's economy continues to open. However, Russia is still not a member of the World Trade Organization (WTO), and despite assertions by the Russian government to the contrary, Russia's policies have become distinctly frosty toward foreign investors in an expanding list of strategic industries. If the Russian government does not aggressively pursue WTO membership and welcome foreign firms, the benefits of trade and investment will be muted.

Because the EU is Russia's most important trading partner and the largest source of foreign investment in Russia, the country's future relations with the EU will be especially important to sustaining eco-

¹⁵ For example, in early 1999, the International Monetary Fund (IMF) forecast that Russian GDP would fall 7 percent that year; it actually rose 5.4 percent (International Monetary Fund, *World Economic Outlook*, May 1999, p. 16). In 2002, the IMF projected GDP growth of 4.9 percent in 2003; actual growth was 7.3 percent (International Monetary Fund, *World Economic Outlook*, September 2002, p. 2). The Russian Ministry of Finance and most private forecast groups also underestimated Russian economic growth.

conomic growth. Russia and the EU will need to make it much easier for nationals to travel back and forth, preferably by abolishing visa requirements. Because certification is emerging as one of the greatest impediments to trade, Russia will also have to adopt EU standards if trade is to flow freely. Russia will hopefully be able to negotiate a free trade agreement with the EU, like many other EU neighbors. Abolishing visa requirements, adopting EU standards, and negotiating a free trade agreement with the EU would greatly contribute to ensuring that Russia's economy continues to grow rapidly.

Because the Russian government and Russian industry are moving to address potential problems, we do not expect deficiencies in energy, transport, or other infrastructure to place a binding constraint on growth. Rising domestic and export prices for natural gas are generating substantial funds and incentives for investment in conservation, pipeline and distribution networks, and, belatedly, new production. Rising demand for electric power, the impending privatization of Russia's electric-power industry, and increasing tariffs are creating incentives to conserve electricity and are attracting investment in generating plants and transmission lines. Investments in modern highways, railroads, and airports have also increased. As discussed earlier, the government has created four funds for education, health, housing, and agriculture from surplus oil revenues to address social infrastructure problems. Even with a darker overall economic prognosis, these sources of money will combine with rising incomes and tax revenues to provide the Russian government with adequate funds to increase investment in these sectors.

One of the reasons we project an annual GDP growth of 4.6 percent rather than the more-rapid rates of recent years is the impending decline in the size of Russia's labor force. According to the Russian Statistical Service, which generates low, medium, and high estimates of many statistics, the number of working-age people in Russia will decline by 17.3 percent between 2006 and 2025 (this is the medium-range projection). As in Central European states, growth in Russian GDP will be driven by increases in the capital stock, rising productivity, and gains from trade. Because the labor force is declining, not increasing, labor inputs will retard, not accelerate, growth. The size of the decline in the labor force will depend very heavily on immigration. The Russian Sta-

tistical Service's medium-range forecast of Russian population assumes average annual inflows of 302,000 people between 2007 and 2025; the high-range forecast assumes an average annual inflow of 543,000 people, with annual inflows reaching 838,000 in 2025. Although even these flows are not enough to stanch the decline in the labor force, they would mitigate its impact. Under the high-range immigration scenario, Russia's workforce would be 4.8 million workers larger in 2025 than under the midrange scenario. This means that the labor force would decline by 12.0 percent rather than 17.3 percent. Because of the larger labor force, in this instance, we project that GDP growth would average 5.0 percent per year rather than the 4.6 percent projected rate under the assumption of a 17.3-percent fall in the labor force. Tolerance for more-substantial inflows of immigrants would thus help stimulate growth.

The greatest long-term threats to achieving even a 4.6-percent rate of economic growth are continued government inefficiency and corruption. Although large Russian firms have been cleaning up their acts so that they will be listed on international stock exchanges, the Russian bureaucracy remains cumbersome, unaccountable, and highly corrupt. According to Transparency International's Corruption Perception Index, Russia was ranked number 143 out of 179 countries for 2007. Russia's ranking had been declining consistently since the 2002 survey.¹⁶

Corruption and poor government impede growth. As incomes rise and other sources of growth are tapped, the smooth functioning of markets and the efficient provision of government services become even more important facilitators of growth. All the transition economies that have become members of the EU have reduced corruption and improved the efficiency of government operations. Romania, for example, was ranked even lower than Russia in Transparency International's index as late as 2002 (although it was ranked slightly higher in 2001). Since 2005, Romania had consistently outranked Russia, the gap between the two steadily growing (Romania's 2007 score was 69). With the right political will, Russia could also perform better. However, without a concerted effort, corruption and government inefficiency could drag Russian growth rates below our projected annual rate of 4.6 percent.

¹⁶ Transparency International, "Corruption Perceptions Index," Web page, years 2001–2007.

The National Budget

After a period of budget deficits totaling as much as 7 percent of GDP in the 1990s, the Russian government has been running surpluses since 2000. Initially, the improvement in fiscal performance had more to do with budgetary discipline than energy prices. When world market oil prices fell in 1999, the Russian government nonetheless reduced the deficit by 3.3 percent of GDP. It closed the budget gap by eliminating tax loopholes, more rigorously enforcing tax laws, and instituting spending restraints. Because of improved tax discipline, the share of federal taxes in GDP rose from 10.9 percent to 12.8 percent between 1998 and 1999. Over the same period, the government slashed federal expenditures from 15.2 percent to 13.7 percent of GDP. By 2005 and 2006, improved tax discipline, expenditure controls, and a surge in tax revenues from oil exports pushed surpluses to 7.5 percent of GDP.

Like the United States, Russia is a federation, and to assess the fiscal situation of the country as a whole, one needs to look at revenues and expenditures in oblasts and municipalities, as well as the federal government. Russia's consolidated budget has improved even more dramatically than the federal budget, swinging from a deficit of 6.5 percent of GDP in 1997 to a surplus of 8.4 percent in 2006, a shift of almost 15 percentage points.

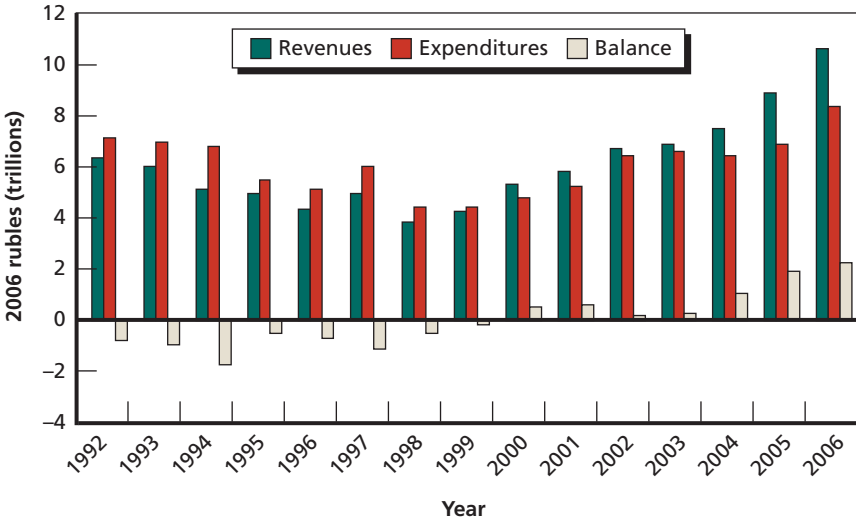
Press accounts of Russia's budget give prominence to the role of taxes on oil in consolidated government revenues.¹⁷ But non-oil revenues account for the bulk of government revenues (they accounted for 61.4 percent of total government revenues in 2006).¹⁸ Among individual taxes, tariffs on exports and imports are the single largest source of tax revenue, followed by corporate income taxes and value-added tax. Because of increases in tax revenues from all these sources, consolidated government revenues are up sharply. Since 1998, they have risen from 24 percent of GDP to 40 percent of GDP (see Figure 3.6).

Consolidated government expenditures have also risen, but not by as much. Until recently, Finance Minister Alexei Kudrin kept a tight rein on expenditures, cutting them from 36.0 percent of GDP in 1997

¹⁷ Michael Freedman, "Russia: The All-Energy Economy," *Forbes*, October 9, 2006.

¹⁸ International Monetary Fund, 2006, p. 35.

Figure 3.6
Consolidated Budget, 1992–2006



SOURCE: Russian Statistical Service, various years.

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to 27.5 percent in 2005. But in 2006, restraints weakened as the 2007 Duma elections loomed. Expenditures hit 31.3 percent of GDP. The party continued in 2007 as federal expenditures were bumped up by 22 percent in real terms. The government increased salaries for civil servants; spent more on priority sectors like education, health, and public infrastructure; provided more subsidies for agriculture and housing; and spent more on defense.

Although government employment at the federal level has not risen much, employment by local and regional governments has.¹⁹ Some Russians complain that young people entering the labor force for the first time now prefer government to private-sector jobs. Higher government salaries and opportunities for extra income from graft promise a better living than work in the private sector. To the extent that this is true, this is a sad consequence of the oil and gas boom.

¹⁹ Robert Orttung, “Causes and Consequences of Corruption in Putin’s Russia,” *PONARS Policy Memo*, No. 430, December 2006.

In 2007, Putin demanded that the Duma pass a three-year federal budget for 2008 to 2010 before the campaign for Duma elections heated up. This was done partially to tie the hands of his successor.²⁰ Putin was also worried that budget discipline would deteriorate even more in the run-up to the Duma elections in the fall. The three-year budget, passed in July 2007, marked a sharp shift in fiscal policy. Russia's budget surpluses disappear after 2008: Because of tax cuts and the assumption that energy export prices would decline,²¹ government revenues were projected to fall 5.7 percent in real terms in 2008.²² In subsequent years, government revenues were projected to rise modestly. In contrast, federal expenditures were projected to surge 10 percent in real terms in 2008, and to rise again in 2009; growth in government spending was expected to moderate to only a 3-percent real increase in 2010. In the event, high world market prices for oil and gas bolstered revenues in the first three quarters of 2008, while spending to prop up banks and other financial institutions led to a sharp increase in government spending in the second half of that year. Substantial spending is now likely to continue and Russia is expected to begin to run a budget deficit in 2009, although use of the Stabilization Fund (discussed above) will cushion the blow. Public investment in transportation, telecommunications, agriculture, and water, and increased spending on pensions and health care will drive this continued spending surge. As is discussed later, defense and security spending will also benefit.

Defense Spending

Current and Past Spending

In contrast to the Soviet Union, which used to publish a single meaningless figure, Russia publishes a substantial amount of information on its

²⁰ In 2006, the federal budget accounted for three-fifths of total government revenues and a little over half of expenditures.

²¹ The budget assumed that the price of Urals crude would drop from \$61.10 a barrel in 2007 and would be at \$50.00 a barrel in 2010.

²² "Duma Passes Bill on 2008–2010 Federal Budget," *Bank of Finland Institute for Economics in Transition Weekly*, July 13, 2007.

defense budgets. Breakdowns are provided for categories similar to those found in U.S. budgets: salaries, other personnel costs, fuel, and maintenance. Detailed breakdowns are provided for a number of subcategories: The 2007 national defense budget includes more than 200 line items. Prior to 2006, the Russian government included in the federal budget a State Defense Order that laid out planned expenditures on procurement, research and development (R&D), repairs, and the modernization of equipment.²³ The State Defense Order is no longer published in the open budget, although Russian government officials periodically provide figures from it in official speeches. Because of this change, approximately 45 percent of the defense budget now consists of unspecified items.²⁴

National defense is a federal responsibility—local and regional budgets contain no appropriations for defense. Figure 3.7 shows a breakdown of the official 2007 national defense budget. Total expenditures were budgeted at 821.5 billion rubles (about \$32.1 billion). The largest component consists of expenditures on personnel and totals \$8.9 billion when salaries, training, food, clothing, and the costs of expanding the contract force are summed. The International Institute for Strategic Studies (IISS) estimates that procurement spending and spending on R&D are almost identical in size, totaling \$4.7 billion each.²⁵ Operations and maintenance (O&M) accounts for an additional \$3.7 billion. Spending on nuclear weapons (\$0.5 billion) and weapons disposal (\$0.9 billion, primarily for chemical weapons), is appreciable. As in the United States, the bulk of defense expenditures is made by the Ministry of Defense (MOD), but other ministries, such as the Ministry of Atomic Energy, also expend money on defense. Expenditures outside the MOD include spending on nuclear programs, peacekeeping operations, and the decommissioning of chemical weapons.²⁶

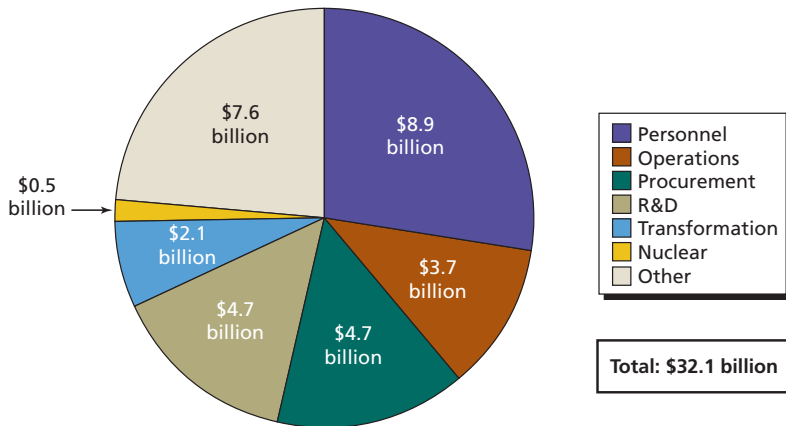
²³ International Institute for Strategic Studies, "Russia," *The Military Balance 2004–5*, Vol. 104, No. 1, 2004, p. 170.

²⁴ International Institute for Strategic Studies, "Russia," *The Military Balance 2007*, Vol. 107, No. 1, 2007, p. 190.

²⁵ International Institute for Strategic Studies, 2007, p. 190.

²⁶ Until 2005, the MOD's portion of the total defense budget ranged from 89 percent to 95 percent. Since then, the MOD's reported share of total defense spending has dropped,

Figure 3.7
Composition of Russian Spending on National Defense, 2007



SOURCES: Russian Federation Ministry of Finance, "Budget of the Russian Federation for 2007," 2007; and International Institute for Strategic Studies, 2007, p. 190.

NOTE: The sum of the numbers in this figure does not equal the total shown due to rounding.

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Russia's federal budget also includes expenditures not included in the budget for national defense that might fall under defense spending in the United States or Western Europe. These expenditures include the budgets for paramilitary forces, like the Border Troops and internal troops. The IISS also believes that the following expenditures should be counted as spending on defense: spending by the Ministry of Emergencies, spending by the State Security apparatus, subsidies to closed towns (i.e., towns that manufacture weapons, especially nuclear weapons), and estimates of military pensions. The IISS adds these expenditures to the official defense spending to derive a figure for total defense spending that is comparable, in terms of what items it includes, to that of the United States and other members of the North Atlantic Treaty Organization (NATO). The additional expenditures boost Russian

falling to 72 percent in 2007. Because the MOD now omits from the official budget a number of items for which the Russian government previously provided breakdowns, the decline in the MOD's share of post-2005 total defense spending is probably due to reduced disclosure of total MOD spending rather than a shift in defense spending to other ministries.

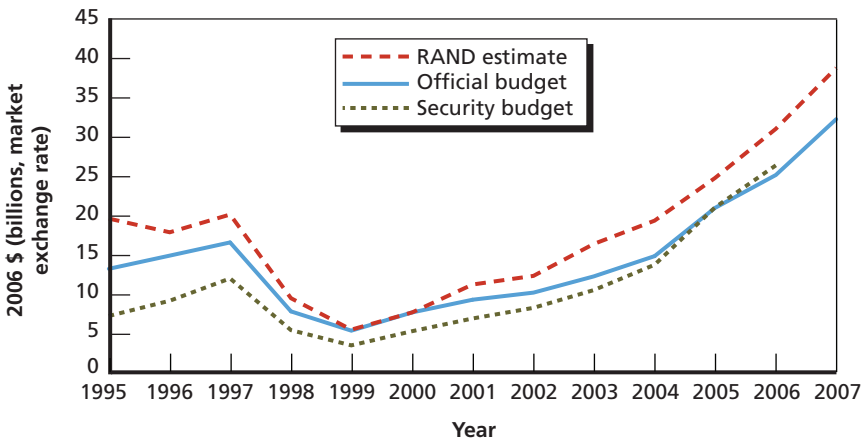
defense-related spending by 395 billion rubles (\$15.4 billion) in 2007, for a total of 1,217 billion rubles (\$47.6 billion). The addition of these expenditures raises total defense-related spending from 2.7 percent of GDP to 3.9 percent of GDP.

In the following paragraphs, we adopt a more Russian view and categorize expenditures on the Border Troops, internal troops, and state security as security rather than defense expenditures. Although these forces have capabilities that would cause most Western European states to classify them as military forces, the Russians primarily employ these forces internally (most notably in operations in Chechnya, but also elsewhere in the North Caucasus), and their primary mission is to preserve internal security. Deleting expenditures on these security forces from the IISS estimates results in total defense spending of 1,005 billion rubles (about \$39.3 billion) in 2007, an amount equal to 3.2 percent of Russia's GDP.

IISS suggests that some share of revenues from exports of weaponry and military equipment should also be included in the defense budget, since some of these revenues may end up in MOD accounts. We disagree with this contention. Export revenues flow to defense firms, not to the MOD, and are used to cover these companies' costs. If the companies are profitable (which is not always the case), profits are invested or returned to shareholders (or siphoned off by management). The Russian military does not benefit directly from these transactions. If the MOD partly owns certain defense firms, it may be a beneficiary of dividend payments, but the general impression is that the profits of Russian defense firms accrue to managers or to government officials involved in decisions about arms exports. It is highly unlikely that the MOD benefits directly from arms exports in a substantial way.

Figure 3.8 shows the value (at market exchange rates and in 2006 dollars) of three figures. These are the official Russian defense budget, a RAND estimate, and the official security budget. The RAND estimate consists of the official defense budget and the following defense-related expenditures: military pensions, the budget of the Ministry of Emergencies, and subsidies to closed towns. As all of these estimates show, healthy increases in ruble expenditures and the real effective appreciation of the ruble have dramatically boosted expenditures in dollar terms

Figure 3.8
Russian Defense Spending: Alternative Estimates



SOURCES: Goskomstat Rossii, "Execution of the Federal Budget of the Russian Federation," various years; International Institute for Strategic Studies, 2004; International Institute for Strategic Studies, "Russia," *The Military Balance 2005–6*, Vol. 105, No. 1, 2005; International Institute for Strategic Studies, 2007; and RAND calculations.

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from their nadir in 1999. Official spending on defense has jumped from \$5.4 billion in 1999 to \$32 billion in 2007. According to the RAND estimate, expenditures totaled \$39 billion in 2007, up from \$5.5 billion in 1999. Spending on internal security forces has also increased sharply. This spending, which includes expenditures on police, courts, and prisons, as well as the internal security forces, has risen from just \$3.5 billion in 1999 to \$26.3 billion in 2006. This increase reflects the costs of the conflict in Chechnya and the increased prominence given to internal security forces, the police, and the judiciary under Putin.²⁷

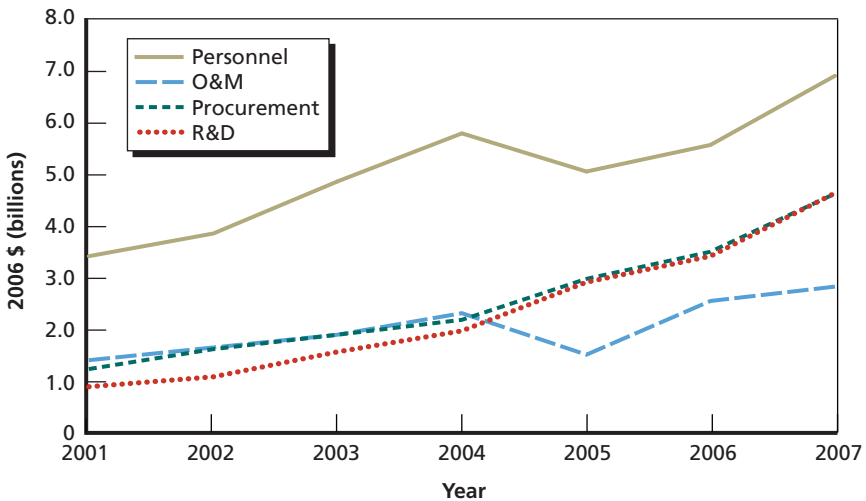
From the point of view of the Russian military, increases in expenditures have not been as dramatic. Abstracting from Russian inflation, official defense expenditures have doubled between 1998 and 2007. In contrast, expenditures in 2006 dollars rose by a factor of four. Defense expenditures fell sharply in 1998 because of the ruble crash and did

²⁷ All figures in this paragraph, as in Figure 3.8, are in 2006 dollars.

not return to their 1995 levels until 2002. Between 2000 and 2007, increases in defense spending in real terms just kept pace with the rate of growth in GDP. Official defense spending has been held below 3.0 percent of GDP since 1997.

Figure 3.9 shows Russian spending on personnel costs, O&M, procurement, and R&D as estimated by IISS. The IISS estimates that spending on procurement and R&D has been rising steadily since defense spending began to increase substantially at the turn of the century. The shares of these two items in total spending have risen sharply: R&D's share of spending, for example, has doubled since 2001. In contrast, although spending on personnel and O&M has also risen, their increase has been less rapid than that of procurement and R&D. Note that despite all of these increases, Russian spending on all these items remains a small fraction of, for example, U.S. spending on comparable items.

Figure 3.9
Trends in Russian Defense Spending by Major Category



SOURCES: Goskomstat Rossii, various years; *The Military Balance*, International Institute for Strategic Studies, 2004, 2005, and 2007; and RAND calculations.

Future Spending

After the fallow years following the 1998 collapse, Russian defense spending is on the rise. Defense spending doubled between 1998 and 2007 in constant ruble terms, and the Russian government budgets called for an additional 30-percent increase in constant ruble terms through 2010, outpacing the projected rate of growth in GDP. By 2010, defense spending was projected to total \$51 billion up from \$32 billion in 2007 (based on Russian budget figures, using Russian projections of current exchange rates through 2010). Whether this will be possible in light of economic conditions remains to be seen; as of late 2008, Russian government statements did not indicate defense budget cutbacks.

This is a shift from past policy. Until recently, the Russian armed forces were not a high spending priority. The armed forces were the source of a series of embarrassing problems, from the Russian Army's inability to quell the violence in Chechnya (the interior minister is now charged with this task) to the loss of a nuclear submarine in the Arctic Ocean, to injuries and deaths among conscripts due to hazing. The Putin administration was also skeptical about the efficiency with which the MOD spends money. The new minister of defense, an accountant, is charged with getting more for the defense ruble. The Kremlin has also been dissatisfied with the military's commitment to implementing reforms. Many of these reforms have been pursued halfheartedly; for example, one general in charge of a division transitioning from a conscript-based force to a professional soldier-based force reportedly complained that he much prefers conscripts, as he can treat them as he sees fit.²⁸ Contract soldiers have more rights and must be better treated.

Neither the Russian government nor the military appears to see a major strategic threat to Russia in the near future. Putin takes great pride in having signed an agreement with China that definitively delineates the Russo-Chinese border. Russia's relations with the EU and the United States, although testy, have not generated discussions in the Russian press or by Russian leaders about Russian fears of a military confrontation.

²⁸ Author interviews with Russian and Russia-based specialists and analysts, Moscow, June 2007.

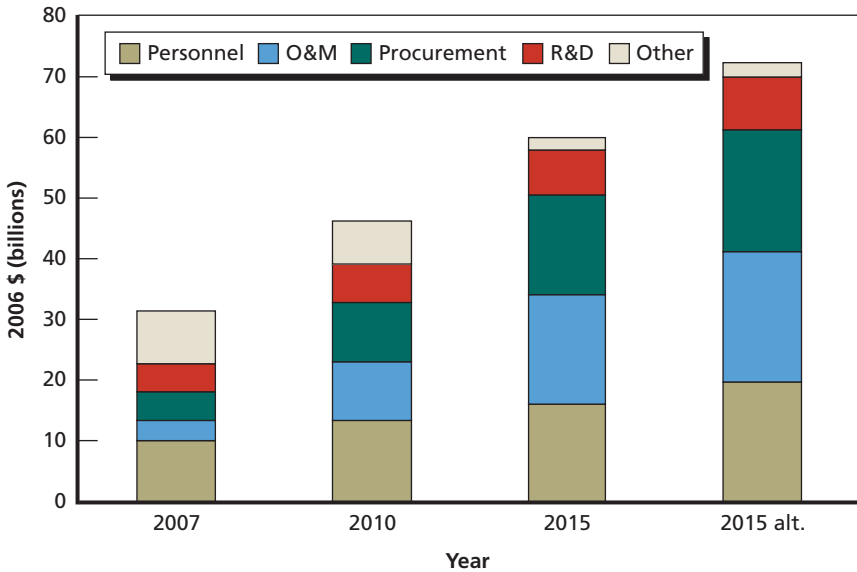
That said, as government revenues rose and the Putin administration became more outspoken concerning its view of Russia's place in the world, official defense expenditures rose at a rapid clip. The Kremlin and the military now wish to modernize the Russian armed forces. The military is paying more attention to counterinsurgency and antiterrorist activities while also trying to become more effective at the higher end of the military spectrum. The military is also moving toward less reliance on conscripts and more reliance on a professional staff, despite the problems it has encountered while attempting to use more contract soldiers. The Russian government has reduced the length of conscription at a time when the numbers of young people eligible for service is plummeting.

These activities require money. How much money is the Russian government likely to spend through 2015? To answer this question, we projected Russian defense expenditures through 2015 under two scenarios (see Figure 3.10, where currency is 2006 dollars). In both scenarios, we assume that Russia will make the defense expenditures stipulated in the 2008–2010 budget.²⁹ In the first scenario, we assume that the share of GDP devoted to defense during 2011–2015 stays the same as that projected for 2010 in the Russian budget (i.e., 2.9 percent of GDP). We then multiply these shares by our projections of Russian GDP to generate forecasts of future Russian expenditures on defense. In the second scenario, we assume that the share of GDP devoted to defense during 2011–2015 grows at the same rate as that budgeted for 2008–2010 (i.e., 9.1 percent per year in constant rubles).

How will the Russian government spend this money? Some additional expenditures are likely to be directed at modernizing Russia's armed forces. They will be used to make the force more professional by increasing officer salaries and moving toward a contract (rather than conscript) force, and they will be used to replace older weaponry with newer models. Because the Russian military is such a ponderous institution, a large share of these funds will be used to maintain large conventional forces.

²⁹ The Russian government will likely be revising its budgets in 2009 in light of the current financial and economic situation. However, as previously noted, we find that these budgets remain useful for purposes of our analysis.

Figure 3.10
Potential Composition of Russian Defense Spending Through 2015



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Figure 3.10 shows the potential size of future Russian defense budgets (in 2006 dollars) under the two scenarios described above. It also illustrates how the Russian government might allocate these funds. We project expenditures on five major components of spending: personnel, O&M, procurement, R&D, and other. We assume that between 2007 and 2015, the pattern of expenditures in Russia will be similar to that of the U.S. armed forces in 1989 at the end of the U.S. military buildup during the 1980s. Under these assumptions, the share of spending on procurement and O&M rises while the share of spending on personnel and the “other” category falls.

As can be seen, expenditures on procurement and O&M rise sharply under both of these scenarios, but would still be small compared to U.S. expenditures. Procurement would rise from \$4.6 billion in 2007 to \$16.4 billion in 2015 under the base-case scenario; O&M would rise from \$3.6 billion to \$17.9 billion. Although overall expenditures in 2015 would be large, exceeding likely expenditures by France,

Japan, or the United Kingdom in the same year, Russia's defense expenditures will total only a small fraction of U.S. levels.

How consistent are these projections with the procurement plans published by the Russian government? In 2005, the Russian government passed legislation entitled "State Arms Program to 2015," which earmarked 5 trillion rubles for procurement for 2007–2015.³⁰ Spreading this sum out evenly in inflation-adjusted terms over this period yields estimated procurement expenditures of 741 billion rubles, or \$22.3 billion, in 2015. Our base-case projection yields a forecast of \$16.4 billion in 2015, assuming the share of procurement in Russian defense spending rises from 15 percent in 2007 to 27 percent in 2015 (a percentage equal to the share of procurement in U.S. military spending at the end of the 1980s).

Using our alternative projection of more-rapid rates of growth in defense spending, procurement in 2015 would total \$19.8 billion (2006 dollars). To achieve expenditures of \$22.3 billion (2006 dollars), the share of procurement in official defense spending would have to rise to 37 percent under our base-case scenario or 31 percent under our top-end projection. If such a shift in spending were implemented, both of our projections of defense expenditures would be adequate to cover Russia's current planned expenditures on procurement. However, the top-end projection would make the procurement plans easier to fulfill. The projections show that the plan is ambitious. If it is implemented, it would reflect a major commitment on the part of the Russian government to substantially increase expenditures on procurement.

The Defense Industry

Is Russia's defense industry capable of producing the weapons that this procurement plan calls for? In the following paragraphs, we analyze the current state of Russia's defense industry and comment on the hur-

³⁰ Viktor Baranets, "Will Russia Buy American Tanks?" *Komsomolskaya Pravda*, April 25, 2007, p. 7.

dles the industry will have to surmount if it is to produce a new range of modern weapons.

Russia's defense industry is emerging from a very rough period. After the collapse of the Soviet Union, the industry experienced an initial fall in domestic funding for procurement of at least 80 percent.³¹ Former Soviet defense industry sites located outside of Russia suffered even deeper declines. The Russian industry survived by cutting salaries, sometimes refusing to pay wages, and reducing production. Employment fell as workers left the industry for jobs that provided a higher or steadier paycheck and as the cash-strapped defense industry ceased to hire all but a few new workers. Closing plants and consolidating enterprises proceeded much more slowly. Outright layoffs were rare.

Domestic procurement funding fell sharply again after the 1998 crash; it only recovered to its 1997 levels in 2007 (see Figure 3.11). Exports have kept the industry alive.

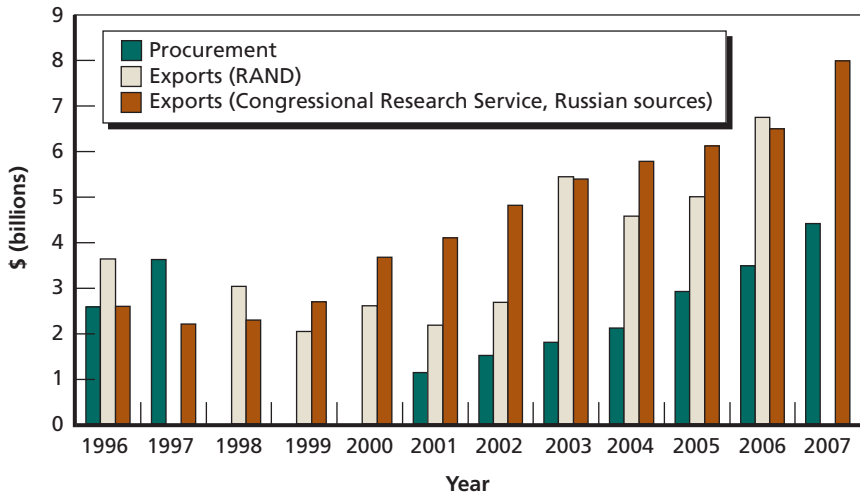
Today, the industry is composed of approximately 1,500 enterprises, including research institutes, design bureaus, and production facilities (the heritage of Russia's Soviet past).³² The sector has been partially privatized, primarily through insider privatizations that took place in the 1990s. Roughly two-fifths of the enterprises are mainly private (i.e., the state owns less than a 25-percent stake), and two-fifths are 100-percent state-owned. The state maintains sizable shares (i.e., more than a 25-percent stake) in the remaining fifth. Many of these enterprises are only partially independent because most are affiliated with large consortia (like the Sukhoi group). Because these enterprises sell almost all of their output to these consortia, revenue figures for Russia's largest defense firms provide a lower bound for the final output of Russia's defense industry.

Figure 3.12 compares the revenues of Russia's top 20 arms producers with a dollar total that adds Russian export figures to IISS estimates of procurement spending (based on State Defense Orders). The sales of Russia's 20 largest defense consortia accounted for four-fifths

³¹ Global Security.org, undated.

³² Global Security.org, "Military Industry Overview," Web page, last updated on October 12, 2007.

Figure 3.11
Estimates of Russian Arms Exports and Spending on Procurement



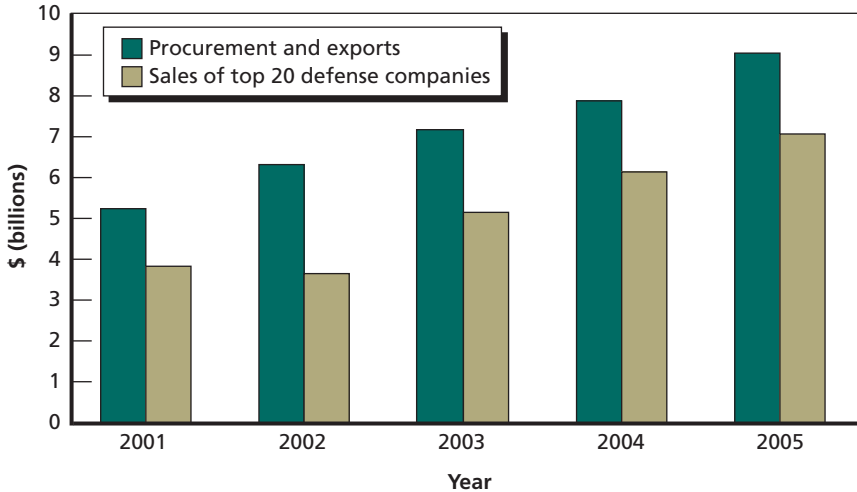
SOURCES: Procurement figures are from International Institute for Strategic Studies, 2004, 2005, and 2007. Export figures from 1996 to 2001 are from Richard Grimmett, *Conventional Arms Transfers to Developing Nations, 1998–2005*, Congressional Research Service, Order Code RL33696, October 23, 2006. Export figures from 2002 to 2005 are from Dmitry Vasiliev, “Russia’s Defense Industry,” *Moscow Defense Brief*, Center for Analysis of Strategies and Technologies, Moscow, No. 1, 2007. Export estimates from 2006 and 2007 are from “Russian Defense Budget to Top 822 Billion Rubles in 2007,” *Agentstvo Voyennykh Novostey*, April 19, 2007.

NOTE: A number of scholars have argued that Soviet (and Russian) exports of military equipment are captured within statistics on machinery exports (see Jan Vanous, ed., “Developments in Soviet Arms Exports and Imports,” *Centrally Planned Economies Current Analysis*, Vol. IV, No. 62, May 27, 1985). Employing this assumption, we estimated Russian exports of arms by summing the value of Standard International Trade Classification (SITC) 728 (other equipment specialized for particular industries), SITC 745 (other nonelectrical machinery, tools, and parts not elsewhere specified), SITC 784 (motor-vehicle parts and accessories not elsewhere specified), and unidentified exports of machinery in SITC 7.

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of estimated domestic procurement expenditures and export revenues from 2001 to 2004. Total final sales by the industry have been less than \$10 billion each year.

Starting in 2005, the Putin administration made a concerted effort under the auspices of Russia’s state-controlled arms export company, Rosoboronekспорт, to consolidate the industry by creating large

Figure 3.12**Revenues of Russia's Top 20 Arms Producers Compared to Russian Arms Exports and Spending on Procurement**

SOURCES: Procurement figures are from International Institute for Strategic Studies, 2004, 2005, and 2007. Export figures are from "Russia's Arms Trade with Foreign States in 2005," *Moscow Defense Brief*, Vol. 1, No. 5, 2006.

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holding companies. Much of the aircraft industry has been merged into United Aircraft Corporation. The United Shipbuilding Corporation was created by merging a large number of the naval shipbuilding companies.³³ OPK Oboronprom, partially owned by Rosoboroneksport, has taken stakes in a number of helicopter manufacturers in an effort to consolidate that industry.³⁴ The Putin administration also discussed creating holdings for optical systems, tanks and armored vehicles, military electronics, air defense systems, and space.³⁵

³³ Anatoliy Gurov, "Severnnyy Reyd en Route to the Holding Company," *Severodvinsk Severnyy Rabochiy*, March 24, 2007.

³⁴ Dmitry Vasiliev, "Russia's Defense Industry," *Moscow Defense Brief*, Vol. 1, No. 7, 2007.

³⁵ "Russian Defense Budget to Top 822 Billion Rubles in 2007," 2007; and Keri Smith, "Russia Keeps Watch on New Holdings' R&D Spend," *Jane's Defence Industry*, June 1, 2007.

Although the industry is overdue for rationalization and has done a poor job of consolidating on its own, this new policy has already had some negative consequences. Russian military analysts complained about large price increases for weapons as procurement budgets rose.³⁶ A single seller makes it more difficult for the Russian government to negotiate lower prices. In addition, the new chief executive officers of the new state-controlled holding companies in the defense industry have had a hard time establishing control. The managers of the companies that have been combined to create the holdings still fight for their plants, and power still appears to be concentrated at the plant level.³⁷

Arms Exports

In the immediate aftermath of the collapse of the Soviet Union, Russian arms manufacturers saw exports fall along with domestic procurement. Eastern European clients disappeared along with the Warsaw Pact, Iraq ceased to be a customer because of the embargo, and the evident superiority of U.S. weaponry compared to Soviet models during the first Gulf War caused former customers of Soviet arms to turn to other countries for supplies. In 1991, Russian exports reportedly fell to \$6.6 billion, much lower than the \$19.8 billion in exports in 1989.³⁸ Russian exports continued to fall for most of the 1990s.

In the current decade, exports have provided a lifeline to Russia's defense industry. Since 1998, Russian arms export sales have exceeded procurement expenditures in every single year. In some years, arms export sales have totaled more than twice as much as domestic spending on procurement. As a result, and depending on how the statistics are calculated, Russia is either the world's largest arms exporter or its second-largest (after the United States).³⁹

³⁶ Baranets, 2007, p. 7.

³⁷ Author discussions with an aircraft manufacturing executive, Moscow, October 2006.

³⁸ U.S. Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers: 1993–1994*, Washington, D.C.: U.S. Government Printing Office, February 1995, p. 123.

³⁹ For statistics on Russia's arms transfers, see Stockholm International Peace Research Institute, *SIPRI Yearbook 2006: Armaments, Disarmament and International Security*, July

Exports have grown rapidly in large part because of China and India. These two countries are Russia's two most important clients, accounting for as much as 70 percent of total sales in recent years.⁴⁰ Rapid economic growth in both countries has permitted large increases in their defense spending, especially on procurement. Moreover, both countries face difficulties in obtaining modern weapons from other sources: The EU and the United States have embargoed arms exports to China, and India's nuclear program has hindered its ability to import arms from the United States. Both countries see Russia as a less politically motivated arms supplier.

India has been a major customer of the Soviet/Russian defense industry since 1959. In 1993, the two countries signed a new Treaty of Friendship and Cooperation that put their relationship on firm ground in the post-Soviet era. This agreement included a defense-cooperation accord aimed at ensuring a continued supply of Russian arms and spare parts for India's military and the promotion of joint production of defense equipment. Since this agreement was signed, Russia has sold a vast array of high-quality military equipment to India, including land assault hardware (e.g., T-90 tanks, Smerch multiple-launch rocket systems, long-range howitzers, and infantry vehicles).⁴¹ India has also worked with Russia on overhauling the Indian diesel submarine fleet and has acquired the BrahMos anti-ship missile. India has also been a major buyer and joint producer of Russian aviation equipment. The Su-30MKI, which was specifically designed for India, is a notable example. In 2000, Hindustan Aeronautics Limited signed an agreement with Rosoboroneksport for the license to manufacture 140 Su-30s. India will also receive 50 of these aircraft that will be produced directly by Russia.

For its part, China has procured over \$15 billion in Russian equipment since 1999, averaging at least \$1 billion a year since 1992.⁴²

2006; and Grimmett, 2006.

⁴⁰ International Institute for Strategic Studies, 2004, p. 97.

⁴¹ Grimmett, 2006, p. 9.

⁴² Vladimir Paramonov and Aleksey Stokov, "Russian-Chinese Relations: Past, Present, and Future," Defense Academy of the United Kingdom, September 2006.

Among the systems China has obtained are Su-27 and Su-30 multi-role fighters and Il-76 military transport planes. The Chinese navy has acquired *Sovremenny*-class destroyers with Sunburn antiship missiles, and *Kilo*-class diesel submarines. The one weapon category Russia has been reluctant to sell to China is land assault hardware. Unlike India, Russia has not sold China tanks or multiple-launch rocket systems.

Some even attribute part of the rapid development of China's defense industrial base in recent years to Chinese purchases from Russia, which have at times (though not always) come with access to the underlying military technology. Dr. Tai Ming Cheng's comprehensive study of the transformation of China's defense technology base (DTIB) concludes that the ability of the DTIB "to learn and absorb already existing technologies and techniques has been significantly enhanced by the acquisition of civilian and foreign, *especially Russian*, defense technology and industrial hardware and knowledge."⁴³

The preponderance of exports in the sales by Russian arms manufacturers has begun to shift. On one hand, rapid growth in defense budgets in Russia pushed up domestic procurement spending. On the other hand, growth in arms exports to China and India may be leveling off as those two countries attempt to replace imports from Russia with domestic production. In 2005, China decided not to import additional Su-30s and also stopped production under license of the Su-27, preferring to manufacture its own model.⁴⁴ In India, the Su-30 is being assembled under license, not imported directly from Russia.⁴⁵ Russian officials have expressed some concern that Indian and Chinese demand for defense equipment will decline in the next five to ten years. The Chinese government is more interested in developing indigenous defense capabilities than in simply buying foreign equipment. It is possible that

⁴³ Tai Ming Cheung, *Leaping Tiger, Hybrid Dragon: The Search for Technological Innovation and Civil-Military Integration in the Chinese Defense Economy*, thesis, London: Department of War Studies, Kings College, University of London, 2006 (emphasis added).

⁴⁴ Piotr Butowski, "Drop in Russian Aircraft Sales to Hit Industry Hard," *Jane's Defence Weekly*, July 13, 2005.

⁴⁵ Aleksey Nikolskiy, "Arab Friend Will Help MiG by Boosting Its Order Book by \$1.3 Billion," *Vedomosti*, August 31, 2006.

China's future purchases will be limited to imported components (such as jet engines) that will be used in Chinese aircraft.⁴⁶

On the other hand, China is still under Western economic sanctions that bar U.S. and European arms sales to China. Russia is the only major advanced military power willing to sell large quantities of defense equipment to China. Russia's military technology and knowledge could still be helpful to China in many technical areas. For example, Russia and China could jointly produce dual-use space systems (i.e., systems with civilian and military applications), such as an improved global navigation satellite system. Whether Russia is interested in sharing such technologies is not clear.

Russian exports to India are under pressure for different reasons. Russian officials are concerned that India's improving relationship with the United States will cause India to shift its arms purchases from Russian to Western suppliers. The Russian press gave wide coverage to a comment by Nicholas Burns, former U.S. undersecretary of state for political affairs, when he predicted that 2008 would represent a breakthrough for U.S.-Indian relations, with "U.S. firms well positioned" to compete in the Indian market.⁴⁷ The potential for future U.S.-Indian arms deals is closely tied to the two nations' approval of a nuclear cooperation agreement, which would allow India access to U.S. nuclear fuel and reactors. Negotiations between the United States and India on these complex issues are being closely monitored in Russia for their impact on long-term Russo-Indian relations.

With Russia's arms exports to China and India unlikely to grow, Russian firms hope to expand their sales to other markets. In 2006, Venezuela signed a series of agreements with Russia for 24 Su-30 fighters, 53 military helicopters, and 100,000 Kalashnikov assault rifles. The total price of these deals is estimated at nearly \$3 billion. Russia and Venezuela have also been exchanging military personnel, such as pilots and technicians, with Russian instructors providing assistance to

⁴⁶ "Russian Weapon Makers Switch Sales Tactics with China as Beijing Slows Arms Shopping Spree," *International Herald Tribune*, November 28, 2006.

⁴⁷ "U.S. Expects Breakthrough in Arms Sales to India—State Dept," RIA Novosti, May 24, 2007.

Venezuelan pilots. Russian defense officials also agreed to allow Venezuela to set up a factory capable of producing 50,000 Russian assault rifles annually. The potential for further deals also exists: Numerous reports indicate that Venezuela is interested in buying Antonov transport planes and more anti-aircraft defense missiles.⁴⁸

Another region where Russia continues to sell arms is the Middle East. In 2000, President Putin canceled an agreement with the United States to restrict Russia's arms and nuclear sales to Iran. Since then, Russia has been a major arms supplier to the Iranian military. In 2005, Russia agreed to sell 29 TOR-M1 (SA-15 Gauntlet) surface-to-air defense systems to Iran, and to upgrade Iran's Su-24 and MiG-29 aircraft.⁴⁹

Russia has had success in exporting arms to a wider circle of clients, including Algeria, Syria, the United Arab Emirates, Indonesia, and Yemen. In 2006, Russia exported arms or military services to 61 countries.⁵⁰ Russia's role as a major arms exporter will continue.

The Future of Russia's Defense Industry

The outlook for Russia's defense industry is the brightest it has been since Soviet times. Export order books are up; they totaled \$30 billion in 2006, up from \$23 billion in 2005.⁵¹ The Russian government has promised to spend 5 trillion rubles (about \$190 billion) on procurement between 2007 and 2015. For the first time in a long time, the Russian armed forces are purchasing new equipment. Industry sales are currently approximating \$10 billion a year (see Figure 3.11).

⁴⁸ Alex Sanchez, "The Russian Arms Merchant Raps on Latin America's Door," *Council on Hemispheric Affairs*, March 20, 2007.

⁴⁹ Grimmett, 2006, p. 10.

⁵⁰ Alex Vatanka and Richard Weitz, "Russian Roulette—Moscow Seeks Influence Through Arms Exports," *Jane's Intelligence Review*, January 1, 2007.

⁵¹ "Putin: Orders for Russian Weaponry Amounted to \$30 Billion in 2006," *Agentstvo Voennoy Novostey*, March 20, 2007; and Ilya Kedrov, "Plan Again Exceeded: Russia to Earn 7 Billion Dollars a Year from Arms Exports Starting in 2007," *Voyenno-Promyshlennyy Kuryer*, February 15, 2006.

Although order books are full, the industry still faces a number of challenges, the most critical of which are related to finances and management. Russia's defense companies are relatively small: The largest, Almaz-Antey Air Defense Concern, had sales of \$1.6 billion in 2005, making it the world's 31st-largest defense firm.⁵² The sales of European manufacturers like BAE Systems, Finmeccanica, EADS, and Thales are 5–15 times greater than Almaz-Antey's. In 2005, BAE Systems' sales tripled the entire production of Russia's defense industry. U.S. companies boast even-larger sales than their European counterparts. Unlike Russian companies, these Western companies have the wherewithal and the client base to invest heavily in new technologies. They purchase components and designs from each other, stimulating technological change. They are experienced in large projects that involve the integration of systems. They also face pressures from shareholders to increase profits by reducing costs and expanding sales.

Russian defense enterprises have also faced competitive pressures to sell more and cut costs, but they have lacked the funding to keep pace with R&D in Western Europe and the United States. They have relied on existing technologies for most of their production for almost 20 years. R&D received only a small fraction of the spending it received in Soviet times. Russian companies are also financially weak: About one-third are at risk of bankruptcy.⁵³ Twenty years of reduced resources have caused the capital stock and workforce of the Russian defense industry to age: 70 percent of its production assets are fully depreciated and the average age of the workforce is just over 55 years.⁵⁴ The three-quarters state-owned, one-quarter private ownership structure of the new defense holding companies does not promise pressure for improvements in efficiency. Whereas Russia's private companies

⁵² Stockholm International Peace Research Institute, "Appendix 9A. The 100 Largest Arms-Producing Companies, 2005," in *SIPRI Yearbook 2007: Armaments, Disarmament and International Security*, June 2007, p. 376.

⁵³ "Russian Defense Industry Bankruptcies," Interfax, April 25, 2006.

⁵⁴ "Moscow Daily Calls Ivanov's Defense Industry Complex Reform Plan 'Pipe Dream,'" *Moscow Yezhednevnyy Zhurnal*, March 15, 2007; and Aleksandr Golts, "Take as Much as You Can, Throw It Around as Far as It Will Go," *Yezhednevnyy Zhurnal*, March 15, 2007.

have performed very well even compared to established multinationals, its state-controlled companies have not. Companies like Gazprom are overstaffed, sluggish, and inefficient.

In short, although Russia's defense industry is benefiting from the uptick in Russian procurement and its own strong export order books, it will continue to suffer from the virtual hiatus in the development of new weapon systems that occurred during the 1990s. It will also suffer from the state's heavy-handed enterprise-management processes and from the reduction in domestic competition. More importantly, unless Russia's defense industry interacts more closely with European and U.S. manufacturers, the gap between most Russian technologies and those being developed by Western manufacturers will continue to widen, leaving Russian technologies in the dust. The efficiencies and technological benefits that Western companies enjoy because of their ability to trade with each other and exchange technologies (even in the face of export controls and other limitations) will give Western manufacturers a continued technological edge over their Russian competitors.

Russian Foreign Policy

Russian leaders and policymakers most often characterize Russian foreign policy as focused on two fundamental goals: Russia's desire to increase its global influence and to see its recent economic growth continue. To an extent, this is an accurate reflection of Russian approaches. The ways in which these goals are translated into policy, however, belie the simplicity of such statements. This chapter begins by discussing how various Russian policymakers and analysts view Russia's global environment and foreign policy priorities and choices. We then look at the broad implications of Russia's stated priority on economic growth. Next, we turn to Russia's interests and policies toward various parts of the world, examining them in the context of the country's major foreign policy goals to understand whom Russia sees as its friends and adversaries. After examining the Russian public's views on foreign policy, we conclude with a discussion of how Russian foreign and security policies may yet change and why.

Russian Foreign Policy: Focus on Prestige and Economic Growth

A Variety of Concerns and Priorities

Given the last 200 years or so of Russian history, an outside observer might argue that Russia is remarkably secure. No foreign state is poised to invade it militarily. No enemies are plotting imminent attack. Historically high rates of economic growth persisted for nearly a decade, making Russians substantially wealthier than anyone imagined they

could become in the aftermath of the 1998 economic crash. Russia is not without security concerns, of course. Not only is the conflict in Chechnya far from resolved, but increasing violence throughout the North Caucasus is also not unrelated to global terrorism. Russia is also a critical transit point for international crime. Nuclear proliferation and terrorism, particularly if combined, threaten Russia no less than they do the United States and the rest of NATO. But these are not existential threats, and they are threats against which Russia can battle in concert with the international community.

This view of Russia's foreign policy interests is held by some Westerners. It is not, however, a dominant view in Russia. There are many Russian perspectives on foreign policy, various of which end up reflected, at various times, in the policy choices and directions of the Kremlin. A wide range of positions can be found in the pages of Russian newspapers and journals, and in speeches by Russian policymakers.¹ These views reflect genuine debate about Russia's interests and its direction. Some Russian analysts and policymakers discuss transnational terrorism and transnational terror groups' ties to radical groups at home when they define Russian policy priorities.² Others disagree, arguing, for example, that international terrorists pose little threat to Russia and that responses to them have little to do with making Russia safer.³ Some critics assert that domestic terrorists, broadly defined, are

¹ Yury Fedorov, "'Boffins and Buffoons': Different Strains of Thought in Russia's Strategic Thinking," *The Royal Institute of International Affairs*, Chatham House, London, BP 06/01, March 2006.

² Sergei Ivanov, "Bol'shaya Strategiya: Vooruzhionnye Sili Rossii i Eeyo Geopoliticheskiye Prioritety [Grand Strategy: Russia's Armed Forces and Geopolitical Priorities]," *Rossiia v Global'noy Politike*, February 2004; A. S. Kulikov, "Bo'rba s Terrorizmom kak Vazhneyshaya Zadacha Obespecheniya Bezopasnosti Strani [Fight Against Terrorism as Critical Problem of Ensuring National Security]," *Voyennaya Mysl*, No. 4, April 2007, pp. 12–16; Yu Baluyevskiy, "Podkhodi Rossii k Obespecheniyu Mezhdunarodnoy Bezopasnosti [Russia's Approaches to Ensuring International Security]," *Rossiiskoye Voyennoye Obozreniye*, No. 1, January 2007, pp. 2–10; and Ministry of Foreign Affairs of the Russian Federation, Department of Information and Press, *Obzor Vneshney Politiki Rossiiskoi Federatzii [Survey of the Foreign Policy of the Russian Federation]*, March 27, 2007b.

³ Vladimir Anokhin and Igor' Shishkin, "Rossiia Vstupila Ne v Tu Voynu [Russia Has Joined the Wrong War]," *Voyenno-Promyshlenniy Kur'er*, September 27, 2006; and author

the more significant problem.⁴ Other Russian analysts argue that more attention should be paid to possible threats from China.⁵

The most recent comprehensive statement on Russian foreign policy from the government itself is the *Obzor Vneshney Politiki Rossiiskoi Federatzii* [Survey of the Foreign Policy of the Russian Federation]. This document, published by Russia's Ministry of Foreign Affairs in March 2007 and endorsed by then-President Putin, was described as having been developed to guide Russia's foreign policy. It was prepared with input from a number of academic and government experts and can be considered representative of the views and direction of the Ministry of Foreign Affairs, at least at that time. The survey discusses transnational threats and emphasizes the need to cooperate with the United States and Europe on these and other issues. It explicitly articulates the importance to Russia of good relations with the United States.⁶

But the survey also raises a number of concerns about Russia's relations with Western countries and about these countries' intentions toward Russia. For instance, the survey discusses Russia's concerns about (1) other states that might interfere in sovereign Russian matters, (2) efforts to create a unipolar world where foreign systems and approaches are forced on countries, and (3) some states' overreliance on military force as an instrument of policy. These arguments are not just critiques of U.S. policies—they are also assessments that those policies are dangerous for Russia.

discussions with Russian and Russia-based specialists and analysts, Moscow, November 2006 and June 2007.

⁴ Author discussions with Russian and Russia-based specialists and analysts, Moscow, November 2006 and June 2007.

⁵ Mikhail Remizov, Aleksandr Khramchikhin, Anatoliy Tziganok, Roman Karev, and Stanislav Belkovskiy, *Itogi s Vladimirom Putinim: Krizis i Razlosheniye Rossiiskoy Armii* [Results with Vladimir Putin: Crisis and Decay of the Russian Army], Institute of National Strategy, November 2007.

⁶ Ministry of Foreign Affairs of the Russian Federation, Department of Information and Press, 2007b. The presidential approval statement of this document is Ministry of Foreign Affairs of the Russian Federation, Department of Information and Press, "Ob Odobrenii Prezidentom Rossii V. V. Putinim Obzora Vneshney Politiki Rossiiskoi Federatzii [On the Approval by Russian President V. V. Putin of the Survey of Foreign Policy of the Russian Federation]," March 27, 2007a.

A number of statements by the Russian government further indicate that there are more than a few members of the inner circle who believe that the United States and its NATO allies are at the core of some of the most significant threats to Russia. For example, while he was minister of defense, Sergei Ivanov wrote that external threats to Russia included the new threat of foreign interference.⁷ More recently, Foreign Minister Sergei Lavrov published a 2007 article that sounded similar themes in its criticism of NATO's "bloc" policies.⁸ In the final year of his presidency, Putin made a number of speeches indicating that he too saw the United States and other Western countries as seeking to infringe on the sovereignty and interests of Russia and other countries. In a February 2007 speech to the Munich Security Conference, Putin warned the United States that it should not attempt to create a world "of one boss, one sovereign," and that it should stop interfering in Russian domestic politics.⁹ Without mentioning the United States specifically, Putin also complained about countries that were trying to expand their power in the world much as the Nazis did before World War II.¹⁰ In a number of other speeches in the run-up to the 2008 Russian presidential election, Putin continued this theme, suggesting that current policies on the part of some states present threats similar to the peacetime roots of World War II.¹¹

Although the postulated threat from the West is rarely presented as a near-term military threat to Russia, Russian leaders have expressed concern that at least some current Western policies might have military repercussions and thus warrant a Russian military response. For exam-

⁷ Ivanov, 2004.

⁸ Sergei Lavrov, "Nastoyashchiye i Budushchee Global'noy Politiki: Vzgljad iz Moskvi [Present and Future of Global Politics: A View from Moscow]," *Rossiiya v Global'noy Politike*, Vol. 5, No. 2, 2007a, pp. 8–20.

⁹ Vladimir Putin, "Speech at the Munich Conference on Security Policy," Munich, February 10, 2007a.

¹⁰ Putin, 2007a. For a Russian analysis of the speech, see "Russian President Did Not Threaten the West," *International Affairs*, Vol. 53, No. 4, 2007, pp. 1–12.

¹¹ See, for example, Vladimir Putin, "Speech at the Military Parade Celebrating the 62nd Anniversary of Victory in the Great Patriotic War," Moscow, May 7, 2007c.

ple, General Nikolai Solovtsov, commander of Russia's Strategic Missile Forces organization, stated that Russia has the capacity to target U.S. missile defense systems if such systems are deployed in Poland and the Czech Republic. In 2008, then-President Putin, discussing the possibility of Ukraine joining NATO, stated that if Ukraine permitted NATO missile defense systems to be installed on its territory, it too could be targeted by Russian nuclear weapons if the Russian government felt that those U.S. systems could weaken Russia's nuclear deterrent.¹² Western commentators have viewed such statements as bellicose.¹³

These views and statements contribute to confusion about Russia's goals and priorities. Particularly in light of the 2008 Russo-Georgian conflict, it seems critical to better understand Russia's interests and preferences. We believe that many answers can be found through a careful examination of what key officials and analysts have said and written and through a close look at Russia's actions in recent years.

A Prestige-Seeking State

As noted, Russians do not have a unified view of their country's interests or its future. That said, during Putin's second term as president, a substantial degree of consensus emerged about at least the broad outlines of Russian foreign policy goals. According to this consensus, Russia's goals were to solidify its increasing economic success and strive to be perceived as a "modern great power" or a "normal great power." Russia should not only be strong politically and militarily, but should also be prosperous economically, advanced technologically, influential culturally, and capable of asserting moral authority.¹⁴

¹² Vladimir Putin, "Press Conference Following Talks with President of Ukraine Viktor Yushchenko," Moscow, February 12, 2007b.

¹³ Martin Sieff, "BMD Watch: Russia Can Target BMD in Europe," UPI, Security & Terrorism, February 20, 2007.

¹⁴ Bobo Lo, "Evolution or Regression? Russian Foreign Policy in Putin's Second Term," in Helge Blakkisrud, ed., *Towards a Post-Putin Russia*, Oslo: Norwegian Institute of International Affairs, 2006.

The desire to project an image abroad of influence and importance is a critical component of this approach. Russia's leaders seek recognition by major global actors—e.g., the United States, the EU, China, Japan, and India—that Russia is one of the major centers of power in an increasingly complex international environment.¹⁵ Russian decisionmakers do not want to relive the 1990s, when Russia, in its economic and political weakness, seemed to be a dependent of Western powers, one that followed their lead. Russia wants to play an important and visible role. Membership in the Group of Eight (G8) is an important component of achieving this recognition, as are presidential-level summits (particularly with the United States).¹⁶

In addition to employing traditional diplomatic instruments in pursuit of its foreign policy, Russia has taken an increasingly multi-dimensional view of power, recognizing the importance of economic, cultural, and public-relations instruments. This approach is perhaps most evident in Russia's relations with its neighbors. Fiona Hill has argued that Moscow has increasingly turned to economic and cultural "soft power"—including its energy resources, attempts to expand the use of Russian culture and language, sales of consumer goods, and investment abroad—to enhance its influence in other former Soviet republics.¹⁷ This goal is reflected in Russian government policy statements that call for more economic integration within the CIS, in Russia's proposal for a customs union with Kazakhstan and Belarus, and in the country's discussions with Belarus about adopting the Russian ruble as Belarus's national currency. The Russian government has also tried to exploit its common cultural heritage with surrounding nations to pursue its interests.

Russia has not limited its use of public-relations tools and other instruments of soft power to its immediate neighborhood. For example, Russia has financed English-language television programs aimed at the

¹⁵ See, for example, Sergei Lavrov, "What Guides Russia in World Affairs," speech at Moscow State Institute, September 10, 2007b.

¹⁶ For an analysis of how this approach has developed, see Bogaturov, 2007, pp. 54–69.

¹⁷ Fiona Hill, "Moscow Discovers Soft Power," *Current History*, Vol. 30, No. 2, October 2006, pp. 341–347.

West. The annual Valdai meetings between Western Russia experts, Russian analysts, and Putin himself are another part of this effort, as is the launch of a Paris- and New York-based Russian think tank called the Institute of Democracy and Cooperation that is designed to study Western democracy. Although it is well under way, however, the soft-power approach is a work in progress. Russian spending on foreign cultural affairs in its “Near Abroad” and beyond remains limited. Moreover, the direction and strategy behind these efforts has not always been clear.¹⁸ But for countries like Belarus, Ukraine, and Kazakhstan, cultural ties to Russia will remain important factors in bilateral relations because of the close personal and family ties that continue to exist across these countries’ borders with Russia, and because of ongoing, widespread use of the Russian language. Russian-language books, films, radio, and television play important roles in these countries.

Russia’s foreign policy also parallels in many ways Russian domestic policy, both in the evident desire for control and stability and in the focus on sovereignty. In the foreign policy context, these goals lead to an emphasis on restoring Russia’s international prestige and eliminating levers of influence that Western countries have had in Russia since the collapse of the Soviet Union. In one analyst’s interpretation, the foreign policy of “sovereign democracy” centers on Moscow’s right to restrict the impact of international law, global economic bodies, and world public opinion on Russia’s domestic policies.¹⁹ This Russian foreign policy bears a striking resemblance to the prestige-seeking approach that Hans J. Morgenthau identifies as one of the three categories of foreign policy approaches (or, in his terms, “basic manifestations of the struggle for power”). The other two categories are (1) policies of imperialism and (2) maintenance of the status quo. Morgenthau describes prestige as “the policy of demonstrating the power a nation has or thinks it has, or wants other nations to believe it has.” He argues that prestige is rarely pursued in its own right, but is pursued more

¹⁸ Vadim Konanenko, “Ob’yatiya ‘Myagkoy Sili’: Sozdat’ Obraz Rossii? [The Embraces of ‘Soft Power’ to Create a Russian Image?],” *Rossia v Global’noy Politike*, No. 2, 2006.

¹⁹ Victor Yasmann, “Russia: Ideological Doctrine Paves Kremlin’s Course,” Radio Free Europe/Radio Liberty, August 4, 2006.

often in support of either an imperialistic or status quo policy. Prestige is a means of demonstrating power so that other goals, whether short or long term, can be achieved.²⁰ Russia's efforts to demonstrate its power and ensure that it receives the respect it deserves are well in line with the way Morgenthau describes a prestige-seeking state. Russia's efforts to ensure that others do not interfere in its internal affairs also fit this paradigm.

The Importance of Economic Growth

In large part, strong economic growth in recent years is what has made it possible for Russia to increase its prestige on the international stage. Both Russia's status as the primary provider of Europe's gas and its growing economy help make it an important global actor. Russia today has real resources. In August 2006, Russia paid off its Paris Club debt early, despite penalties—a move that was hailed within the country as a reduction of Russia's obligations to the West. Russia's Stabilization Fund was restructured in 2008 into two parts: a Reserve Fund designed to bolster the federal budget as oil prices drop and a National Prosperity Fund for investments in public works, education, health care, and agriculture.²¹ It has been drawn on heavily following the financial panic in the second half of 2008.

The basis of Russia's foreign policy has been described by the following paraphrase of a common misquote of former General Motors president and U.S. Secretary of Defense Charles Wilson: "What's good for Gazprom is good for Russia."²² Indeed, although our analysis indi-

²⁰ Hans J. Morgenthau, *Politics Among Nations: The Struggle for Power and Peace*, 2nd ed., New York: Alfred A. Knopf, 1954, pp. 67–79, introduces and discusses prestige-seeking as a basis of foreign policy.

²¹ "Russia's Stabilization Fund Hits \$121.7 Bln as of Jul. 1," RIA Novosti, July 2, 2007.

²² In 1953, Charles Wilson, then president of General Motors, the largest company in the United States at the time, was picked by President Dwight Eisenhower to be Secretary of Defense. At his Senate confirmation hearing, Wilson was asked whether he could separate the interests of General Motors from those of the country. Indicating that this was a false choice, Wilson said, "We at General Motors have always felt that what was good for the country was good for General Motors as well" (David Halberstam, *The Fifties*, New York: Villard Books, 1993, p. 118). This response has frequently been misquoted (or, perhaps,

cates that this view is simplistic and inaccurate (see Chapter Three), there is a common perception among analysts and policymakers in Russia and abroad that Russia's recent rapid rates of economic growth are entirely due to the country's energy resources and the high world market price of oil and natural gas. This view guides some of Russia's policy choices, including the state's strong support of Gazprom's strategy of acquiring downstream assets abroad and of Gazprom's efforts to ensure that it controls all gas leaving the territory of the former Soviet Union.

The Russian government has pressured Shell, TNK-BP, and other companies to relinquish or modify licenses and contracts that grant them permission to develop large Russian gas reserves. Similarly, a recent agreement signed by the Russian government and the governments of Kazakhstan, Turkmenistan, and Uzbekistan ensures that any gas those countries sell to Europe will continue to flow through Russia rather than through alternative routes. Gazprom has also signed memoranda of understanding to construct Nordstream, a gas pipeline under the Baltic Sea that will directly connect Russia with Germany. Gazprom is planning a Southstream pipeline that will extend from Russia to Turkey across the Black Sea. Gazprom and the Russian government appear to have decided that it is better to control a pipeline from start to finish than to be mired in disputes with potentially unfriendly or unreliable transit countries like Belarus, Georgia, Poland, and Ukraine. Whether or not these decisions advance other Russian foreign policy goals, the consolidation of control over gas production and transport puts Gazprom in a much better position to bargain with its European customers.

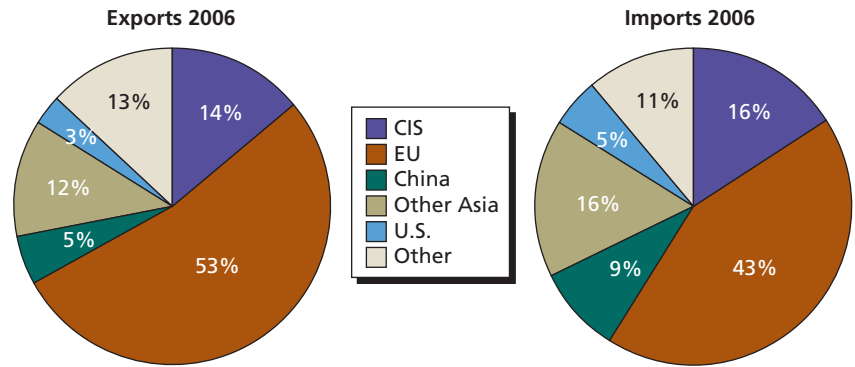
But is what's good for Gazprom good for Russia? The investment strategies of Gazprom, United Energy System (UES), and other major Russian corporations, both state-owned and privately held, suggest that first and foremost they are acting in their own economic interests, not

intentionally "corrected") into "What's good for General Motors is good for the United States."

necessarily in the best interests of the nation.²³ Charging Ukraine and Belarus prices for natural gas similar to those paid by Western European customers has contributed greatly to increasing Gazprom’s profits.²⁴ Consolidating and maintaining control of energy pipeline routes out of Central Asia ensure that domestic gas demand will be met and that Russia can continue to export gas to Western Europe without cutting domestic consumption. But these policies do not endear Russia to its neighbors and, as we discuss, do not strengthen its influence over them in any real way.

Not surprisingly, Russia’s most important foreign relationships reflect Russia’s patterns of trade. The European states constitute Russia’s most important regional trading partner (see Figure 4.1). Next come the other states of the former Soviet Union, although trade with that region has declined in recent years. Russia is working to build ties

Figure 4.1
Russian Exports and Imports by Region, 2006



RAND MG768-4.1

²³ Keith Crane, D. J. Petersen, and Olga Oliker, “Russian Investment in the Commonwealth of Independent States,” *Eurasian Geography and Economics*, Vol. 46, No. 4, 2005, pp. 405–444.

²⁴ In his sixth annual press conference, President Vladimir Putin said, “We have no obligation to provide huge subsidies to other countries’ economies . . . [while] huge numbers of Russians live below the poverty line” (Vladimir Putin, “Sixth Annual Press Conference: I Do Not Rule, I Simply Do My Work,” *International Affairs*, Vol. 53, No. 2, Minneapolis, Minn., October 3, 2007d, pp. 1–9).

to Asia, including China, where its trade is growing. The United States is not a very important trading partner.

Russia's Post-Soviet Neighbors

A Critical Region

The countries on Russia's borders, its fellow successor states to the Soviet Union, are unquestionably important to Russia. Indeed, the Ministry of Foreign Affairs' *Survey of the Foreign Policy of the Russian Federation* describes the countries of the CIS as the top priority of Russian foreign policy, citing economic and security goals. According to the survey, Russia wants neighbors on its periphery that are friendly, flourishing, democratic, and stable. It proposes policies to strengthen and build on the ties that exist.²⁵

Clearly, Russian policy in the region has not been universally effective. Belarus, Tajikistan, and Armenia have extremely close ties to Russia and follow its lead on many issues, but other neighbors have taken pains to assert their independence since the collapse of the Soviet Union. The tensions that have resulted were manifested prominently in the Russo-Georgian armed conflict in August 2008. The three Baltic states (Estonia, Lithuania, and Latvia) have joined the EU and NATO (and are discussed in that context below). Other countries walk their own lines, acquiescing and agreeing with Moscow in some areas while parting ways in others.

Why is it so important to Russia to maintain influence in this region? The reasons stem from Russia's quest for prestige, its history, its economic priorities, and its fundamental security concerns. Long before the Soviet Union came into being, these states were part of Russia's empire. Many Russians therefore see these countries as natural partners and allies that are crucial to Russia's national interests. A Russia without significant influence in these countries is less of a descendent of Imperial and Soviet Russia, and is thus less well aligned

²⁵ Ministry of Foreign Affairs of the Russian Federation, Department of Information and Press, 2007b.

with Russians' view of their nation and its global role. The refusal of most neighboring post-Soviet countries to align readily and fully with Russia challenges Russia's ability to present itself as a global leader, and this challenge is perhaps more significant at home than abroad. Any country that makes inroads into this region and builds ties with these countries is seen as doing so at Russia's expense.

CIS countries are also important to Russia as trade partners. To sustain growth, Russia has a clear interest in pursuing normal trade relationships with its neighbors, including eliminating subsidies for energy exports. Thus, Russia has in recent years dramatically increased the prices Gazprom charges Ukraine and Belarus for natural gas. This is also the part of the world where Russia has perhaps the strongest interest in controlling pipelines and energy flows to enhance its pricing power with its European customers and to ensure that supplies meet its own domestic energy needs.

Russia's leaders are also concerned about two interrelated security issues in the region. The first fear concerns "conflict spillover": Russia's long, porous southern borders increase the risk that any nearby violence would permeate into Russia or demand Moscow's involvement. Discussions with analysts, the discourse in Russia's press and academic journals, and statements by Russian government officials suggest that perhaps the greatest concern Russia has today is that instability in neighboring countries might spill over into the country itself or drag Russian forces into conflict.²⁶ The second fear concerns instability and subversion short of armed violence. The dangers inherent in some forms of political change—such as a succession crisis, radicalism, or the failure of governments to maintain power—are viewed in Russia as dangerous in multiple ways. They are dangerous because they

²⁶ For examples, see Ivanov, 2004; Ministry of Foreign Affairs of the Russian Federation, Department of Information and Press, 2007b; Mikhail Demurin, "Rossiia i Strany Sng: Tsivilizatsionnyi' Vyzov [Russia and the Countries of the CIS: A Civilizational Calling]," *Politicheskii' Klas*, No. 12, December 2007, pp. 17–26; Mikhail Delyagin, "Osnovy Vneshnei' Politiki Rossii [Underpinnings of Russian Foreign Policy]," *Nash Sovremennik*, No. 9, September 2007, pp. 163–180; and Remizov et al., 2007. This is also supported by author discussions with Russian and Russia-based specialists and analysts, Russia, November 2006 and June 2007.

could involve Russian forces, because they create uncertainties in zones of key interest to Russia, because they could cause neighboring states to become hostile, and because the mechanisms of instability could spread to Russia as well.

Russian Responses: Energy and Trade Policy

Many Russian commentators argue that Moscow's control over energy flows increases its strategic leverage with neighboring states. Mikhail Delyagin, for example, argues that Russia should foster a situation in which its neighbors trade their sovereignty for energy security (i.e., a guarantee of continued Russian supply).²⁷ Anatoliy Chubais, chief executive officer of UES, Russia's electric-power company, argued in 2003 that Russia should lead the CIS through an "economic occupation" of neighboring economies.²⁸ In his view, Russian investors should purchase foreign debts and acquire strategic economic assets in CIS countries. Putting his money where his mouth is, UES under Chubais purchased power companies in Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, and Ukraine. Gazprom too is investing heavily in gas companies in these countries.

When Russia has tried to use energy as leverage to increase its policy influence, however, it has more often than not failed to get the outcome it desired. This is illustrated below in our discussion of Russian gas customers Ukraine, Georgia, Belarus, and Moldova, and of gas producers Azerbaijan and the Central Asian states.

Ukraine. Throughout the 1990s, Russia repeatedly threatened to cut off supplies of oil and natural gas to Ukraine as a punishment for Ukraine's failure to pay for that gas. The threats were also a response to Ukrainian policy moves that Russia saw as hostile, especially those efforts undertaken after independence by each successive Ukrainian government to build ties with the United States, the EU, and NATO. Ukraine, however, refused to pay up and kowtow—and it continued to

²⁷ Delyagin, 2007.

²⁸ Anatoliy Chubais, "Russia's Mission in the 21st Century," *Nezavisimaya Gazeta*, October 1, 2003; and "UES Chief Sees Russia as Liberal Empire," *The Russian Journal*, September 26, 2003.

receive its Russian gas.²⁹ Eventually, as its economy improved, Ukraine began to pay more of its bills. It did not substantially change its policies, however.

The same dynamic has repeated itself in the present decade. Since the Orange Revolution, Gazprom, with the Kremlin's backing, has repeatedly raised the price Ukraine pays for gas to levels commensurate with those paid by European customers. Many in Ukraine and the West see these price increases as retribution for the Westward leanings of Ukraine's recent governments.³⁰ Several cycles of negotiations over prices and repeated Gazprom threats to cut off supplies have occurred. Gas supplies were briefly halted in 2006 in accordance with a Kremlin decision and again in early 2009.

However, these measures and Ukraine's overall reliance on Russia for oil and natural gas do not appear to have dissuaded successive Ukrainian governments from pursuing eventual membership in the EU and NATO (even as the public remains divided about the latter goal). Moreover, Russia's rhetoric on Ukraine is far less critical than it could be. The Ministry of Foreign Affairs survey describes Ukraine as one of Russia's most important strategic partners (and Russia as Ukraine's). Vaguely referencing alien factors and a difficult transitional period, Moscow generally refrains from any criticism of Ukraine's leadership and describes Russia as committed to closer and deeper relations that are pragmatic, neighborly, and mutually beneficial.³¹ Although forestalling Ukraine's membership in NATO remains a key Russian foreign policy goal, Russia cannot afford to cut Ukraine off—not only is Ukraine a transit state for Russia's crucial energy exports to Europe, but now that Ukraine pays higher prices, it has become an important customer of Russian gas.³²

²⁹ See Gregory V. Krasnov and Josef C. Brada, "Implicit Subsidies in Russian-Ukrainian Energy Trade," *Europe-Asia Studies*, Vol. 49, No. 5, 1997.

³⁰ See, for example, "Imperialist Gas," editorial, *The Washington Post*, April 23, 2006.

³¹ Ministry of Foreign Affairs of the Russian Federation, Department of Information and Press, 2007b.

³² For historical discussions, see Sherman Garnett, *Keystone in the Arch: Ukraine in the Emerging Security Environment of Central and Eastern Europe*, Washington, D.C.: Carnegie

Georgia. Georgia, in contrast, is not a crucial transit country for Russian gas or oil. However, as with Ukraine, Russia has failed to translate Georgia's dependence on Russian energy into strategic gains. Although Russia's relations with Georgia were far from smooth when Eduard Shevardnadze was president, they have deteriorated further since Mikheil Saakashvili came to power in the Rose Revolution. Saakashvili's government has consistently and actively sought membership in NATO. Russia, for its part, angered the Georgian government by supporting Abkhazia and South Ossetia, separatist regions within Georgia. For years, Georgia accused the Russian military "peacekeeping" presence in those regions of exacerbating tension and threatening Georgia through violations of Georgian airspace and other actions. Tensions escalated in 2006 when Russia banned imports of Georgian wine and water. Georgia then detained and expelled four Russian military officers, accusing them of spying. Russia retaliated by withdrawing its ambassador, imposing more economic sanctions, cutting transport links, and expelling Georgian nationals. Most recently, the Georgian effort to retake South Ossetia by force in August 2008 spurred a Russian invasion of the smaller country.

In the energy context, Georgians have argued that frequent ruptures in the pipeline that serves Georgia have been deliberate acts of sabotage on the part of Gazprom. The Georgian foreign minister described Gazprom price increases as a form of political pressure.³³ During the 2008 conflict, Georgians accused Russia of targeting energy pipelines.

Russian economic sanctions hurt Georgia. Russians had formerly been long-standing customers of Georgian wine and mineral water. Remittances sent home by Georgians working in Russia had been an important source of income for those who stayed behind. Russian sanctions led to the expulsion of Georgians from Russia and created difficulties in transferring funds. Although many sanctions were even-

Endowment for International Peace, 1997, p. 71; and Margarita Mercedes Balmaceda, "Gas, Oil, and the Linkages Between Domestic and Foreign Policies: The Case of Ukraine," *Europe-Asia Studies*, Vol. 50, No. 2, 1998, pp. 258–259.

³³ See Andrew Osborn, "Moscow Accused of Using Gas Prices to Bully Georgia," *The Independent*, November 3, 2006.

tually lifted, bilateral relations remained poor and efforts to normalize relations were short-lived. In contrast to its discussion of Ukraine, the Ministry of Foreign Affairs survey is unabashedly critical of Mikheil Saakashvili's "ethnic nationalism" and of Western (and especially U.S.) support for Georgia. The survey also blames the Georgian government for increased tension in Abkhazia and South Ossetia.³⁴ But Russia's use of energy and other foreign policy instruments failed to force Saakashvili to back down. Georgia's Western-leaning policies remained unchanged, as did the country's unwillingness to acquiesce to Russian pressure, culminating in August 2008 in armed conflict.

Belarus. Gazprom has also raised gas prices in Belarus. It threatened to cut off gas supplies to that country in late 2006 when Belarus objected to the new prices. As in Ukraine, Gazprom had halted gas flows to Belarus in 2004 when it accused Belarus of siphoning off gas intended for downstream customers. It is difficult, however, to imagine that Gazprom's motives were political in this case. Belarus has not undergone a color revolution and it has poor relations with the EU and the United States. Belarus's foreign policy remains as pro-Russia as Russia could wish: Russia under Putin, and Belarus under the one-man rule of Alexander Lukashenko, have had the highest level of political and economic integration of any two countries in the CIS. Gazprom's decisions to increase prices for Belarus appear to have been motivated solely by money.

Moldova. Relations between Russia and Moldova have been strained by Russia's support for the autonomy, if not independence, of Transnistria, a region in the eastern part of Moldova. Separatists in Transnistria have survived in part because of continued supplies of Russian natural gas and the presence of Russian soldiers (peacekeepers). Moldova, too, depends on Russia to fulfill almost all of its energy needs. Moreover, gas pipelines to Moldova transit breakaway Transnistria. As with Georgia, Russia temporarily banned imports of Moldovan wine to show its unhappiness with Moldova's interest in improving its relations with the West (imports have now resumed).

³⁴ Ministry of Foreign Affairs of the Russian Federation, Department of Information and Press, 2007b.

Moldova did not back down in the face of Russian pressure. When Russia cut gas supplies to Moldova during a dispute over price in the winter of 2005–2006, Moldova bought gas from Ukraine's reserves and eventually negotiated a gradual price increase with Russia.

In early 2008, Moldova reportedly asked Russia to recognize Moldovan sovereignty over Transnistria; in exchange, it pledged to remain neutral and permanently forgo NATO membership.³⁵ In April 2008, Moscow brokered direct talks between the Moldovan president and Transnistria's leader. These talks were hailed by the OSCE as a potential thaw in a formerly frozen process. Although these developments suggest that Moldova may have been more responsive to Russian pressure than Ukraine or Georgia, it is not clear that energy is the reason. Rather, both countries seem to be engaged in a protracted negotiation over strategic issues.³⁶

Central Asia and Azerbaijan. Russian failure to translate energy dependence and interdependence into influence is also evident in its relations with Central Asia and Azerbaijan. Although Central Asian energy producers Kazakhstan, Turkmenistan, and Uzbekistan continue to depend on Russia to export their gas to European markets, including Russia's, Moscow has failed to dictate their foreign policies. Kazakhstan has pursued an independent course since independence, building ties with China and the United States as well as Russia. From independence through 2005, Uzbekistan actively turned its back on Russia and sought closer ties with the United States; after 2005, when relations with the United States faltered, Uzbekistan sought rapprochement with Russia. Turkmenistan maintained an isolationist foreign policy under the rule of Saparmurat Niyazov, avoiding alignment with any country, including Russia (this stance may be changing under Niyazov's successor, Gurbanguly Berdimuhammedov). Just as Gazprom has occasionally shut off gas flows during price disputes, Turkmenistan in

³⁵ Corneliu Rusnac, "Moldova Pledges Not to Join NATO If Russia Accepts Its Sovereignty over Trans-Dniester," Associated Press, March 12, 2008.

³⁶ Jean-Christophe Peuch, "OSCE: Efforts to Thaw Frozen Conflicts Growing More Complicated," *Eurasia Insight*, Eurasianet.org, April 16, 2008.

2004 turned off the taps on Russia.³⁷ Azerbaijan, which has become increasingly less dependent on Russia as a transit corridor because of the construction of the Baku-Ceyhan oil pipeline, has sought to maintain good relations with Russia, as well as with the United States and Iran.

Russian Responses: The Security Dimension

Throughout 2006 and 2007, Russia's security concerns in the region were focused most on Georgia and the breakaway regions of Abkhazia and South Ossetia. The Ministry of Foreign Affairs survey described this situation as making the Nagorno-Karabakh situation look rather less worrisome by comparison.³⁸ Although many in the West might argue that it was Russia that took a consistently confrontational stance with Georgia, Russian analysts, including liberal ones, viewed and continue to view Georgia's government as provocative and believe that Russia has merely responded to these provocations. They expressed concerns that Georgian actions would require a Russian military response.³⁹ Indeed, in August 2008, Georgian forces moved to take control of South Ossetia, and Russian troops moved into that region to force them out, pushing through South Ossetia and into Georgia proper before turning back.

Russia has also remained concerned about the possibility of conflict in Central Asia. At the core of these concerns are worries about government instability in Central Asia countries. These fears stem in part from broader worries about subversion and changes in government supported by hostile actors abroad (the context in which Russia sees events in Georgia). This view unites Russian, Chinese, and Central Asian leaders and is substantially different from the perspective taken

³⁷ For more on the foreign policies of the Central Asian states, see Olga Oliker and David Shlapak, *U.S. Interests in Central Asia: Policy Priorities and Military Roles*, Santa Monica, Calif.: RAND Corporation, MG-338-AF, 2005.

³⁸ Ministry of Foreign Affairs of the Russian Federation, Department of Information and Press, 2007b.

³⁹ Author discussions with Russian and Russia-based specialists and analysts, Russia, November 2006 and June 2007.

by most European states, the United States, and some other post-Soviet countries. Russia, China, and the Central Asian states have increasingly tended to equate political opposition of any sort, at home or abroad, with radical opposition and terrorism (see Chapter Two). They believe that security in the region is best advanced through stability, defined as the maintenance of existing structures, limited political opposition, and increased autocracy.

The color revolutions in Georgia, Ukraine, and Kyrgyzstan are thus viewed as worrying experiences that could unleash a variety of unwelcome elements. Russia does not wish to see these revolutions repeated elsewhere.⁴⁰ Aside from the danger of hostile states aligned with Western powers, there is also the threat that instability or regime change could bring Islamist radicals to power in Central Asia. Although Kyrgyzstan and Turkmenistan have survived very different forms of political change without substantial violence or changes in domestic or foreign policies,⁴¹ Russian officials and analysts worry that future political change in these or other states could be more volatile and that radical Islamist groups could somehow gain a foothold in the region. These fears are primarily focused on Kazakhstan and Uzbekistan, whose current leaders are aging and where succession remains unclear.

The August 2008 conflict with Georgia has further underlined for Russia the view that Western efforts to promote reform are destabilizing and threatening to Russia. Well before the Georgian conflict, Russian officials openly disagreed with their Western counterparts about democracy promotion and election monitoring.⁴² Russian government statements during the Georgian conflict indicated that they blamed Western influence, at least in part, for what took place.

⁴⁰ For a discussion of this in the context of U.S. efforts to promote democracy in the region, see Olga Oliker, "Two Years After Andijan: Assessing the Past and Thinking Towards the Future," testimony presented before the Commission on Security and Cooperation in Europe, May 18, 2007.

⁴¹ Street protests in Kyrgyzstan forced the resignation of the president; in Turkmenistan, Niyazov's death led to a new leader coming to power.

⁴² See, for example, Yelena Suponina, "Lavrov Clashes with Other OSCE Foreign Ministers," *Vremya Novostei*, November 30, 2007, p. 5.

According to both the Russian government and the Russian foreign policy community, Russia is by no means eager to use force in its “Near Abroad.” Prior to the 2008 conflict, for example, Russians argued that their country’s actions in Georgia had been far from provocative; in fact, they believed that Moscow was trying to deter Tbilisi from adventurism in its separatist regions.⁴³ Russia’s actions in the conflict itself were presented to domestic audiences as a matter of “punishing” Georgia for its excesses; Russian government statements played up the suffering of the South Ossets. There is little doubt, however, that Russia’s actions in that conflict also demonstrated Moscow’s willingness to use force if it felt force was called for. This sent a signal to neighbors and others that in its attempts to exert influence, Russia was not going to limit itself to soft power and ineffective energy blackmail. Military action is now also clearly on the table.

Regional Organizations

Regional organizations continue to play a role in Russian regional policy. The Collective Security Treaty Organization (CSTO) and the Shanghai Cooperation Organization (SCO) have become particularly important in the security realm. It is also important to mention the CIS, whose security mechanism the CSTO was created to be, and the Eurasian Economic Community (EurAsEC). Despite Georgia and Ukraine’s decision to withdraw from the CIS, it still survives; its activity, however, is limited. EurAsEC, also created in the CIS framework, aims to establish a customs and trade union. Thus far, progress toward any actual economic integration has been minimal.

Russia has consistently sought to elevate the prestige of the CSTO, in which it is unquestionably the lead country. The CSTO is structured as a military organization and is based on the Russian military system. CSTO member states carry out some joint training, and use Rus-

⁴³ See the discussion of Georgia in Ministry of Foreign Affairs of the Russian Federation, Department of Information and Press, 2007b. Author discussions with Russian and Russia-based specialists and analysts, Moscow, November 2006 and June 2007, found a consensus even among critics of the Russian government that Georgia was the more provocative actor.

sian weapons.⁴⁴ The Ministry of Foreign Affairs survey contemplates developing the CSTO as a political-military alliance and developing its peacekeeping capacity, military-technical cooperation, and international “authority” (partly through increased ties with NATO and coordination with EurAsEC).⁴⁵ Thus far, there has been little progress toward these goals. Although members participate in CSTO military exercises and meetings, few see it as a key alliance.

It is the SCO—not the CSTO—that has seemingly emerged as the regional organization to watch, although some complain that it has not done enough in either the economic or strategic realms.⁴⁶ The SCO has enabled its member states (Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, Russia, and China) to craft cooperative and collaborative policies around issues on which they agree, including political stability, terrorism, and extremism. The members have jointly expressed concern about U.S. involvement and influence in the region. However, as Aleksandr Lukin notes, to view the SCO as an anti-American bloc would be a mistake: Such a posture would run counter to the interests of most of the group’s members.⁴⁷ The SCO has been a mechanism to carry out military exercises and issue joint statements, which have been useful as a means of communicating to other countries, especially the United States, that the members agree on many issues. Even if the actual exercises have been limited and the depth of strategic and intelligence cooperation between the SCO states is questionable, these actions have a basis in common interests and concerns.

Some Russian policymakers see the CSTO and the SCO as competing structures, a competition that the former organization is losing.

⁴⁴ Ministry of Foreign Affairs of the Russian Federation, Department of Information and Press, 2007b.

⁴⁵ Ministry of Foreign Affairs of the Russian Federation, Department of Information and Press, 2007b.

⁴⁶ Aleksandr Lukin, “Shanhaiskaya Organizatsiya Sotrudnichestva: Chnto Dal’she? [Shanghai Cooperation Organization, What Next?],” *Rossia v Global’noy Politike*, Vol. 5, No. 3, 2007, pp. 78–93.

⁴⁷ Lukin, 2007.

Ivan Safranchuk points out that the two organizations not only share membership (China is the sole SCO member that does not belong to the CSTO; Armenia and Belarus are members of the CSTO but not of the SCO) and tasks, but they also involve the same government bodies (as does the CIS). He believes that cooperation between the two organizations is unlikely, but argues that the Central Asian member states see benefits in both structures: Membership in the SCO brings in China, which tempers Russian influence, but the existence of the CSTO moderates China's role.⁴⁸

Lukin writes that Russia's concern that China will be the pre-eminent partner in the SCO has kept Russia from developing the organization as it could be developed, particularly in the economic realm. He believes that China's failure to invest in ways that help the region (rather than just China) has further hampered the organization. He believes that an active Russian role, a greater focus on development, and a broadening of the group's membership to include South Asian countries (but not Iran) could make it a very useful organization for all the member states.⁴⁹

Many Russian analysts characterize the SCO as a Chinese organization rather than a Russian one. China is seen as the dominant great power in the SCO; Russia is viewed as a junior partner. In the absence of other comparable strong organizations, and given the limited relevance of the CSTO, the SCO is also an important way for Russia to engage Central Asian states and China. It supplements the more-important bilateral relationships and is itself a key means of signaling cooperation and Russian influence, even if the degree of Russian influence falls short of Moscow's hopes.

⁴⁸ Ivan Safranchuk, "Konkurentzia Za Bezopasnost' Tzentral'noy Azii [Competition for the Security of Central Asia]," *Rossiiia v Globalnoy Politike*, No. 6, November–December 2007.

⁴⁹ Lukin, 2007, pp. 78–93.

Europe

The Russian View of Europe

Many Russian leaders, as well as a significant proportion of the Russian public, see themselves and their country as European.⁵⁰ Although others disagree, arguing that Russia should look more, or at least equally, toward the East,⁵¹ Russian cultural and historical ties to Europe are indisputable. As Russia defines its policies toward Europe (or, perhaps, the rest of Europe), this history, and this debate, create a subtext for Moscow's relations with capitals to its west.⁵²

Angela Stent postulates that Europe, particularly Western Europe, has historically been viewed by Russia in three dimensions.⁵³ First, Europe has served as an idea, a concept of what an enlightened society should look like. This is the Europe of representative government, religious tolerance, democracy, and rule of law. Russia may be a long (and widening) way from this ideal, but this vision of Europe, and of Russia as European in this way, has always appealed to the progressive and liberal elements of Russian society as a goal for their own country.⁵⁴ During the Putin presidency, the idea of Europe as an aspirational model for Russian domestic politics was considerably discredited. Emulation of Europe has been equated by many analysts with

⁵⁰ Yu Baluyevskiy, "Podkhodi Rossii k Obespecheniyu Mezhdunarodnoy Bezopasnosti [Russia's Approaches to Ensuring International Security]," *Rossiiskoye Voennoye Obozreniye*, No. 1, January 2007, pp. 2–10; and "Rossiia: Dushoi—v Evrope, Telom—v Azii [Russia: Soul in Europe, Body in Asia]," *VTzIOM*, No. 652, March 16, 2007.

⁵¹ Sergei Lavrov, "Vostochnoye Napravleniye: Pod'yom Azii i Vostochniy Vektor Vneshney Politiki Rosii [Eastern Direction: The Rise of Asia and the Eastern Vector in Russian Foreign Policy]," *Rossiia v Global'noy Politike*, April 2006, pp. 129–141.

⁵² In this section, we use the term *Europe* to refer not to the geographical continent but to the European countries that lie west of what was once the Soviet Union. We also include the Baltic states in our definition.

⁵³ Angela Stent, "Reluctant Europeans: Three Centuries of Russian Ambivalence Toward the West," in Robert Legvold, ed., *Russian Foreign Policy in the 21st Century and the Shadow of the Past*, New York: Columbia University Press, 2007a.

⁵⁴ Stent, 2007a.

a policy of following the United States' lead at the expense of Russia's own interests.⁵⁵

Second, Europe has served as a model of how a society can achieve modernization and economic progress: through the ideals of the European concept. According to Stent, this concept has also lost popularity to an alternative vision of Russia following its own unique path to modernity and prosperity.⁵⁶ That said, one could argue that the "European" end state remains a part of Russian goals, even if the path does not. Russians have enjoyed rising incomes in recent years, and have used these incomes to purchase an ever broader range of consumer goods. The growing Russian middle class pursues lifestyles and goals not dissimilar to those of many Europeans.

Third, Russia interacts with European states as it seeks to advance its own national security and economic goals. Russia interacts with European states bilaterally, with European institutions, and alongside European nations in larger forums (e.g., the G8). These interactions provide Russia with opportunities to attain and cement its great-power status and to signal Russia's importance at home and abroad.⁵⁷ This helps drive Russia's continued involvement in the Council of Europe and the OSCE even as Russia seeks to limit these organizations' ability to directly influence its internal politics. Even those who are critical of Russia's past efforts to court the West argue that good relations with Europe are crucial for Russia's future, partly because Russia itself is European.⁵⁸

The European Union: Trade and Tension

As the locus of Russia's most important trading partners, Europe is no less critical to Russia's desire for continued economic growth than to

⁵⁵ Evgeniy Aleksandrov, "V Chyom Slabost' Vneshney Politiki Rossii [Where the Weakness of Russian Foreign Policy Is]," *Molodaya Gvardiya*, February 2006, pp. 89–95; and Bogaturov, 2007, pp. 54–69.

⁵⁶ Stent, 2007a.

⁵⁷ Stent, 2007a.

⁵⁸ V. Kuvaldin, "A Quest for Russia's Foreign Policy," *International Affairs*, Vol. 53, No. 4, 2007; and Baluyevskiy, 2007.

Russia's desire to enhance its prestige. Russian exports to the EU are dominated by oil, natural gas, and metals. Many European countries purchase almost all their natural gas from Russia. However, in contrast to Russia's energy relations with some of its post-Soviet neighbors, there is no doubt in Russia that EU countries are Russia's most important markets for natural gas. Gazprom has a clear understanding of how much it needs Europe. No other market could buy the volumes of natural gas that Russia sells to the EU.

Russia's leaders see the EU institution as a mixed blessing. On one hand, Russia's interactions with the EU provide a forum to enhance Russia's prestige and to discuss issues of common interest.⁵⁹ The Ministry of Foreign Affairs survey describes the EU as Russia's main European partner.⁶⁰ Russia and the EU have found common ground in efforts to promote economic integration, boost trade ties, and harmonize regulations. International health issues (such as the spread of HIV/AIDS), environmental concerns, and other soft security issues have also been areas where Russia and the EU have been able to cooperate.

On the other hand, the EU can be a difficult partner. Its complicated bureaucracy can make it easier for nonmembers to pursue bilateral relations with member states than to try to wade through the tangles in Brussels.⁶¹ Although the EU's Russia policy may not always be clear, the EU as a structure does have an explicit goal of extending what it sees as European values (such as human rights and political freedoms) beyond its own borders and into the former Soviet states. Russian critics claim that the EU "operates on the principle that all things on earth are its business" and that "all organizations operating within the Euro-

⁵⁹ See Alexander Grushko, "New Russia Statehood and Prospects for Russia's Activities at the Council on Europe," in "Towards a United Europe Without Divides," *International Affairs*, Vol. 53, No. 2, 2007.

⁶⁰ Ministry of Foreign Affairs of the Russian Federation, Department of Information and Press, 2007b.

⁶¹ Stent, 2007a, p. 426.

pean framework” must adhere to EU rules.⁶² Russia’s disagreements with the EU have hampered negotiations for a new EU-Russia Partnership and Co-operation Agreement. (The 1994 agreement, signed in 1997, expired in June 2008.) Efforts to negotiate a new agreement continue, but disagreements about goals and purpose persist. One sticking point is that the EU continues to push for Russia to sign Europe’s Energy Charter Treaty, which Russia has consistently rebuffed. The treaty would, among other things, make it easier for other European states to invest in Russian energy firms and projects.

The Organisation for Security and Co-operation in Europe

Russo-European tension is also reflected in Russia’s relations with the OSCE. Although Russia is involved in a large number of OSCE initiatives and is an active member, it has also consistently criticized OSCE efforts to promote democracy and human rights in its member states as interference in domestic Russian affairs. Russia has also criticized OSCE election-observer missions, particularly in post-Soviet states, as biased. Russian restrictions on OSCE observers led the organization to decide not to monitor either Russia’s parliamentary elections in 2007 or its presidential elections in 2008.

Key Bilateral Relationships with Western European States

The EU has not articulated a clear unified policy on Russia, so there is no reason for Russia not to pursue separate policies with member states.⁶³ France and Italy are major consumers of Russian energy and are important partners in their own right. In addition to trade ties, opposition to the U.S. invasion of Iraq united several Western European countries, including France, with Russia. Germany has been an especially important partner for Russia. Putin enjoyed good personal relations with former German Chancellor Gerhard Schröder and built a solid relationship with current Chancellor Angela Merkel. Despite

⁶² Yuli Kvitsinsky, “Statement at the Conference on New Russia Statehood and Prospects for Russia’s Activities at the Council on Europe,” in “Towards a United Europe Without Divides,” *International Affairs*, Vol. 53, No. 2, 2007, pp. 104–120.

⁶³ Stent, 2007b, pp. 46–51.

concerns that Nicolas Sarkozy's election in France and Merkel's in Germany might lead to a deterioration of these states' ties with Russia, relations have remained fairly good, although both of the new leaders have been critical of Russia's domestic politics. Both France and Germany have been clearly interested in increasing economic cooperation and strengthening other ties.

One example of this cooperation is Putin and Schroeder's 2005 agreement to build Nordstream. Germany has also been less critical than other European states of Russia's domestic politics, particularly its limits on civil and political freedoms.⁶⁴ In the wake of the Russo-Georgian conflict in August 2008, Chancellor Merkel's position was more tempered than that of many others. She stated that "both sides were probably to blame" for the conflict, although she also later affirmed that Georgia remained a candidate for NATO membership.⁶⁵ French President Sarkozy, seeking the key mediating role in the conflict, brokered a cease-fire agreement.

Russia's relationship with the United Kingdom is more complicated. London's willingness to provide asylum to Chechen separatist leader Akhmed Zakaev and continue to host other Russian expatriates wanted in their homeland, including businessman Boris Berezovsky, has triggered a steady stream of complaints from Moscow. Relations have deteriorated markedly since 2006. Russia has accused British diplomats of espionage, and tensions were further exacerbated when the United Kingdom requested the extradition of Andrei Lugovoi, a former *Komitet Gosudarstvennoy Bezopasnosti* [Committee for State Security] (KGB) agent who became a businessman (and then a Duma member). Lugovoi is wanted in connection with the poisoning of former KGB officer and Kremlin critic Alexander Litvinenko. As tension spiraled in 2007, Moscow shut down several offices of the United Kingdom's cultural outreach arm, the British Council. The *Survey of the Foreign*

⁶⁴ For an assessment of Russo-German relations, see "Berlin's Russia Challenge," *The National Interest*, March/April 2007b, pp. 46–51.

⁶⁵ Andrew E. Kramer and Clifford J. Levy, "Rice, in Georgia, Calls on Russia to Pull Out Now," *New York Times*, August 16, 2008; and Frederick Kunkle, "Bush, European Leaders Urge Quick Withdrawal from Georgia," *Washington Post*, August 18, 2008.

Policy of the Russian Federation describes the United Kingdom as an “important, although difficult, partner.”⁶⁶

Russia’s conflict with Georgia has implications for its relations with its European partners. As noted above, countries such as France and Germany have tried to tread a careful path: critiquing Russia while seeking not to antagonize it. In the long run, their relations with Russia are stronger and more strategically important to them than their relations with Georgia. While U.S. choices may push key allies into difficult decisions, far more dangerous for Russo-European relations are winter gas cutoffs that result from disputes with Ukraine. If Europe ceases to see Russia as a reliable energy supplier, one of the core bases for this relationship could be undermined.

Eastern Europe and the Baltic States

EU and NATO enlargement into former Soviet-controlled Eastern Europe and the Baltic states has further complicated Russia’s relations with Europe. Poland and the Baltic states are determined to resist any perceived Russian influence in their affairs and to use their new status as EU and NATO members to help cement the independence of neighboring Belarus, Moldova, and Ukraine (as well as Georgia). These policies impinge on what Russia perceives as its zone of influence in Eurasia and they inflame Russian nationalism. Tension with Estonia and Latvia, especially, over alleged discriminatory treatment of ethnic Russians and Russian-speakers in those countries has been a consistent problem. Tensions came to a head in 2005 over commemorations of the end of World War II. Estonia and Latvia refused to attend commemorative ceremonies in Moscow unless Russia admitted to having occupied those countries after the war.⁶⁷ The 2007 relocation of a statue that commemorated Red Army liberators (according to Russia) or occupiers (according to Estonia) from its position in a central square in Tallinn to a local cemetery resulted in a war of words, demonstrations, and cyber attacks on the part of the Russian and Estonian governments and publics.

⁶⁶ Ministry of Foreign Affairs of the Russian Federation, Department of Information and Press, 2007b.

⁶⁷ Stent, 2007a.

The North Atlantic Treaty Organization

Despite these points of contention with new NATO members, despite NATO's enlargement to Russia's western border, and although NATO is seen by many in Russia as a limit on Moscow's freedom of action and capacity to assert itself globally, there has been real progress in Russo-NATO relations in recent years. This sustainability of this progress in the face of the August 2008 Georgia crisis is in doubt, however.

The increasing institutionalization of Russian relations with NATO, which has taken place through the NATO-Russia Council and Russia's associated military and diplomatic missions to NATO, has combined with solid Russian relations with NATO member states to create an improved atmosphere over time. Despite problems, real cooperation and coordination between Russia and NATO existed at the time of the Georgia conflict.

Russian hostility toward and concern about NATO cannot, however, be discounted. There is general agreement in Russian government and analytic circles that NATO expansion threatens Russia's interests, particularly as it continues to reach deeper and deeper into what Russia sees as its own sphere of influence. Russia is not alone in thinking this. As noted, many of the newer NATO members, such as the Baltic states and Poland, view NATO membership in part as "protection" against Russia. Thus, Russians view the possibility of NATO expansion into Georgia and Ukraine, states that also seek to join NATO in part to counter Russian pressure and influence, with particular hostility.

At the April 2008 Bucharest Summit, NATO decided against extending Membership Action Plans to Ukraine and Georgia (although eventual membership in NATO was pledged). The decision was seen as a victory for Russia. However, in the aftermath of the Russo-Georgian conflict in August 2008, several European and U.S. leaders have reiterated support for eventual Georgian and Ukrainian NATO membership. The Baltic states, the United States, and Poland have been particularly strong supporters of this eventual enlargement of the alliance.

Given this background, it is not surprising that Russian government statements and documents exhibit seemingly contradictory views of NATO as a hostile actor and a structure with which Russia should

cooperate.⁶⁸ The future of the relationship at the time of this writing remains unclear.

Turkey

Turkey, a NATO member but not an EU member, presents a somewhat different question. The two countries have built increasingly close ties in recent years. Russia is now Turkey's largest trade partner and the source of nearly two-thirds of Turkish imports of natural gas. Informal trade in consumer goods (the so-called shuttle trade) between the two countries is substantial and important to both. The two states have cooperated on energy pipelines and projects. They also agree on a number of security issues, particularly regarding the Black Sea, where neither wants heightened NATO involvement.⁶⁹ Though a U.S. ally, Turkey shares Russian concerns that certain U.S. policies in the Middle East are destabilizing. The two countries' views on extremism and separatism are also fairly well aligned. Although their situations are far from parallel, both states face criticism from outside powers for their domestic policies and are exhorted to allow greater political pluralism.⁷⁰

The relationship is not without its problems, however. Turkey's relationships with the Caucasus and Central Asian states have been cause for concern in Russia. Like China and the United States, Turkey is seen as a rival there, although it works hard to balance good relations with those countries with its excellent ties to Russia. One example of Turkey's efforts to do this is its pursuit of a Caucasus "Stability and Cooperation Platform," which involved both Georgia and Russia, just days after Georgia and Russia agreed to the August 2008 cease-fire.⁷¹

⁶⁸ Lavrov, 2006, pp. 129–141; Ministry of Foreign Affairs of the Russian Federation, Department of Information and Press, 2007b.

⁶⁹ F. Stephen Larrabee, *Turkey as a U.S. Security Partner*, Santa Monica, Calif.: RAND Corporation, MG-694-AF, 2008, pp. 20–21.

⁷⁰ Suat Kiniklioglu, "The Anatomy of Turkish-Russian Relations," *Insight Turkey*, April–June 2006, pp. 81–96.

⁷¹ "Russia, Georgia Green Light Turkey-Sponsored Caucasian Union," HotNewsTurkey.com, August 19, 2008.

The Russian Duma's 2005 decision to pass a resolution on Armenian genocide was, not surprisingly, unwelcome in Turkey. Russia also worries that if Turkey joins the EU, economic relations would change for the worse.⁷² However, although some argue that Russo-Turkish rapprochement is driven by such divergent strategic interests that the rapprochement is not sustainable, for now, at least, leaders on both sides seem keen on maintaining and building ties.⁷³

The Middle East

Russia's policies on the Middle East can be divided into two components: Iran and the rest of the region. In Iran, Russia has been pursuing its energy and economic goals through cooperation with the Iranian government. At the same time, Moscow seeks to play a global role and to advance nonproliferation goals by lending support to selected efforts to prevent Iran from pursuing nuclear fuel enrichment and thereby moving toward becoming a nuclear weapon state. Russia's role on the nuclear issue has enhanced the country's importance as an international actor.

Elsewhere in the region, Russia's policies are driven by its quest for prestige. This quest has led it to maintain a seat at the table on issues of global importance (such as the Israeli-Palestinian conflict) and pursue and retain contacts with various countries in the region (such as Syria). Russia would like to become an influential actor in the Middle East, but aside from a general desire for stability in and trade with the region, this desire is motivated less by a particular vision for the Middle East and more by a belief that Russia, as a great power, should play a role in such an important region. The Ministry of Foreign Affairs survey contains a relatively short section on the Middle East that describes the

⁷² Larrabee, 2008; Kiniklioglu, 2006.

⁷³ Larrabee, 2008; Kiniklioglu, 2006. For the view that the relationship is not sustainable, see Igor Torbakov, "Making Sense of the Current Phase of Turkish-Russian Relations," Jamestown Foundation Occasional Paper, October 2007.

dangers of conflict and instability and the need to build mutually beneficial ties, including trade ties, in this part of the world.⁷⁴

Iran

There is no question that Russia is a major player in continuing discussions of Iran's nuclear program, and that it continues to hope that, as Iran's energy partner, it can provide a solution to this problem. Russia has therefore continued to work on Iran's civilian nuclear power plant in Bushehr. To date, there is no evidence that Russia's cooperation on nuclear energy with Iran has been outside the guidelines set by the International Atomic Energy Agency. The Russian government has halted its distribution of sensitive equipment to Iran and has cooperated with the international community to prevent Iran from obtaining sensitive nuclear technology. Bushehr is now at risk, however. Russian companies claim the Iranians have been unable to come up with the financing necessary to complete construction of the plant. Russia has advanced proposals to process Iran's spent fuel to preclude the development of a nuclear weapons program and thus help ensure that Iran's nuclear program is peaceful. Although these proposals would benefit the Russian nuclear industry, they could also assure the world that Iran is not developing nuclear weapons.

Iran's failure to cooperate—it has often agreed to proposals, then pulled back—and its insistence on continuing its enrichment of nuclear fuels flummox Russia, and put Moscow in an increasingly uncomfortable position. Moscow's ties with Tehran are a complex combination of partnership on economic and energy issues, a mutual desire to demonstrate independent interests and action, shared views on sovereignty, and Russia's genuine concern about Iran's nuclear program. Russia does not want a nuclear-armed Iran. But if a nuclear-armed Iran is inevitable, Russia would rather be its friend than its enemy.

Some Russian analysts also express concern that Iran seeks accommodation with the United States and, having received it, may turn its

⁷⁴ Ministry of Foreign Affairs of the Russian Federation, Department of Information and Press, 2007b.

back on Russia. They note that Iran's trade with Russia is dwarfed by, for example, Iran's trade with Germany.⁷⁵

Other Relationships in the Middle East

Elsewhere in the Middle East, Russian policy is less well defined. Some analysts argue that Russia has seen itself as a potential broker between the Muslim world and the West due to the legacy of good Soviet relations with the Middle East and Russia's own Muslim population. Russia does maintain good relations with Syria and with Iran. In July 2005, Russia gained observer status in the Organization of the Islamic Conference. It has sought to improve ties with the Gulf states and continues to export weapons to a number of Middle Eastern countries. Its relationship with Israel goes up and down, but the countries have maintained a bilateral dialogue even though Israel was unhappy with Russia's decision to host Hamas's leaders for talks in 2006. However, none of these measures has translated into real influence. Moreover, Russia has failed to clearly articulate its goals and interests in the region.

Russian policymakers and commentators have voiced two predominant views on the Iraq War. One is glee at the difficulty the United States has experienced in its efforts to achieve military victory and spread democracy. Some even argue that because it does not damage Russian energy interests or trade ties, the war does Russia no harm. Others, including former Russian Foreign Minister Evgeniy Primakov, see Iraq's destabilization, and the threat of its spread, as dangerous.⁷⁶

⁷⁵ Author discussions with Russian and Russia-based specialists and analysts, Moscow, November 2006 and June 2007; and Aleksandr Lukoyanov, "Iran: Vzgliad Bez Predubezhdeniya [Iran: A View Without Preconception]," *Rossiia v Global'noy Politike*, Vol. 6, No. 1, 2008, pp. 120–130.

⁷⁶ Svetlana Sorokina, "V Krug Sveta [In the Circle of the World]," radio interview with Evgeniy Primakov, Ekho Moskvi Radio, January 21, 2006; Gennadiy Evstafyev, "Melodiya Dlya Kvarteta [Melody for a Quartet]," *Rossiiskaya Gazeta*, July 11, 2007; Interview with Evgeniy Primakov, "Segodnyashnyaya Situatsiya na Blizhnem Vostoke—Ochen' Khoro-shaya Illyustratsiya Togo, k Chemu Privodit Amerikanskii Eksport Demokratii [Today's Situation in the Middle East—A Very Good Illustration of What American Export of Democracy Leads To]," *Indeks Bezopasnosti*, Vol. 1, No. 81, 2007, p. 13; and "Press Conference with Evgeniy Primakov," *Rossiiskaya Gazeta*, July 11, 2007.

Asia

In Asia, as elsewhere, Russia is focused on building and ensuring its great-power status and increasing trade. Russia's overall goals in the Asian Pacific region, however, are not clearly defined. Russia's Asia policies have been focused to a large extent on China and to a lesser extent on Japan and the Korean peninsula. In an excellent 2007 article, Viktor Larin argues that Russia's Asia policy is too responsive to Russian relations with the West, and that it should be more focused on Russia's actual interests in Asia. Larin calls on Russia to define its interests in Asia in a way that takes advantage of the opportunities the continent presents. With the exception of its ties with China, Russia has focused on international organizations rather than bilateral ties, and has built little in the way of trade, at least compared to what is possible. Russia's relations with Japan, South Korea, and the United States (in its role as a Pacific power) remain rooted in the Cold War, he argues. Meanwhile, Asian states neither trust Russia nor see it as an Asian power.⁷⁷

China

Relations between Russia and China, long complicated, have probably never been better. China has become an important trading partner and is a major arms customer. Friendship with Beijing helps Moscow further a number of its goals and enhance its prestige. The two countries support one another in international and bilateral forums on issues such as missile defense, terrorism, sovereignty, territorial extremism, and North Korea. They have carried out joint military and police exercises, both bilaterally and in the SCO. These exercises mark a radical change for China, which had not engaged in exercises of this sort with other states in the past.⁷⁸ In the UN, the two countries consistently

⁷⁷ Viktor Larin, "Tikhookeanskaya Politika Rossii v Nachale XXI Veka [Russian Policy in the Pacific at the Start of the XXI Century]," *Svobodnaya Mysl*, No. 2, February 2007, pp. 142–154.

⁷⁸ Yuri Mukhin, "'Mirnaya Missiya 2007': Antiterror v Deystvii ['Peace Mission 2007': Counterterrorism in Action]," *Rossiiskoye Voennoye Obozreniye*, September 2007, pp. 8–11; and Aleksandr Aleksandrov and Vitaly Denisov, "'Khirurgi' Antiterrora ['Surgeons' of Counterterrorism]," *Krasnaya Zvezda*, September 12, 2007.

vote together. In 2006, they voted together 100 percent of the time on resolutions concerning nonproliferation, Iraq, Iran, North Korea, and Sudan. China is a solid supporter of Russia when Russia questions U.S. actions and policies, and, like Russia, it views the United States as destabilizing in Central Asia and other post-Soviet states. Both countries are strongly opposed to U.S. democratization efforts abroad (and to U.S. criticism of their own domestic policies and institutions). Some Russians argue that China should be Russia's most prominent partner, and that ties to China, including those extended through the SCO, should eclipse Russia's relationship with NATO.⁷⁹

China helps guarantee Russia's place at the table in discussions about North Korea and supports it on a variety of other issues. However, the two countries also disagree and distrust each other in some key areas, as has been the case for decades. Russian policymaking circles are highly uncertain of the future of the relationship and are unsure whether interests will align or conflict in years to come.

As is the case elsewhere, China is viewed in Russia as a rising global power. This worries some Russians, who believe that China may be eclipsing Russia's own efforts to gain prestige. China's growing ties with the Central Asian countries and its leadership role in the SCO make some Russian policymakers nervous. Russian analysts worry that Russian and Chinese economic and political interests in that region will diverge, and that China's influence will grow at the cost of Russia's.⁸⁰

Although bilateral trade is growing, both countries trade far more extensively with others than with each other. Russo-Chinese patterns of trade have shifted: Russia exports raw materials to China, and imports

⁷⁹ A. Klimenko, "Politika: Strategicheskoye Partnyorstvo Mezhdru Rossiiey i Kitayem v Tzentral'noy Azii i Nekotoriye Puti Sovershenstvovaniya Regional'noy Sistemi Bezopasnosti [Politics: The Strategic Partnership of Russia and China in Central Asia and Some Paths to Developing a Regional Security System]," *Problemi Dal'nego Vostoka*, No. 2, April 2005, pp. 6–22.

⁸⁰ For a view of China as a threat, see Remizov et al., 2007. See Klimenko, 2005, for a far more positive view that raises concerns about Central Asia but argues that Russo-Chinese differences will be outweighed by common interests.

manufactured goods; a reversal of historical trade relations.⁸¹ Some Russians fear that over the long term, the two countries' economic interests will diverge further, and Russia will lose out from the relationship while China harvests forests in Russia's Far East and exports its labor to that region.⁸² Worries about the impact of Chinese migration into the sparsely populated Far East have appeared frequently in the Russian press for some time, although reports of huge numbers of Chinese moving into the region are exaggerated.⁸³ Russians living in the Far East and Siberia also worry about Chinese pollution of the Amur River, which has been a continuing problem. Far Eastern residents feel that Moscow has only recently begun to respond to their concerns about environmental issues and to voice those concerns to Beijing.⁸⁴

Russian public opinion on China and on the state of Russo-Chinese relations is, unsurprisingly, decidedly mixed.⁸⁵ Russia and

⁸¹ Author discussions with Russian and Russia-based specialists and analysts, Moscow, November 2006 and June 2007. See also "Certain Aspects of Improving Russian-Chinese Strategic Partnership," *Far Eastern Affairs*, Vol. 3, No. 35, 2007, pp. 1–15; and Georgy Kunadze, "What's at Stake," *Kommersant*, October 24, 2007. Trade data are available at United Nations Statistics Division, United Nations Commodity Trade Statistics Database, undated. The Russian and Chinese numbers do not fully align with one another, it should be noted.

⁸² Vladimir Shlapentokh, "China in the Russian Mind Today: Ambivalence and Defeatism," *Europe-Asia Studies*, Vol. 59, No. 1, January 2007; and author discussions with Russian demographic specialist, Khabarovsk, Russia, June 2007.

⁸³ On migration, see E. L. Motrich, *Haseleniye Dal'nego Vostoka Rosii [Population of Russia's Far East]*, Vladivostok, Khabarovsk: Economic Research Institute, 2006; Aleksandr Gabuyev, "Naseleniye na Eksport [Population for Export]," *Kommersant-Vlast'*, Vol. 9, No. 713, March 12, 2007; and Dmitri Trenin, "The China Factor: Challenge and Chance for Russia," in Sherman W. Garnett, ed., *Rapprochement or Rivalry? Russia-China Relations in a Changing Asia*, Washington, D.C.: Carnegie Endowment for International Peace, 2000, pp. 39–70. Author discussions with a Russian demographic specialist, Khabarovsk, Russia, June 2007, also indicate both concern and exaggeration.

⁸⁴ Mikhail Vorobyov, "U Benzol'nikh Beregov Amura [By the Benzene Banks of the Amur]," *Rossia XXI Vek Kitai*, February 2006.

⁸⁵ See "Kitai Dlya Rossii, Partnyor Ili Konkurent [China for Russia: Partner or Competitor?]," *VTzIOM*, Press Release No. 268, August 15, 2005; "Russians Positive on China's Foreign Policy, Economic Model, Negative on US Policies, Bush," *Worldpublicopinion.org*, May 30, 2006; "China and Russia," FOM: Public Opinion Foundation, February 8,

China resolved their last territorial disputes in 2004, agreeing to share territory on three islands and to permit Chinese control of Tarabarov Island and part of Bolshoi Ussuriisky. Although the Russian government emphasized that Russia was not giving up land, and hailed the agreement as a win-win, the terms of the settlement were controversial. The Russian parliament ratified the bilateral agreement in 2005 on the strength of United Russia's pro-government support, but opposition politicians openly described the agreement as a concession of land on Russia's part. Formal and informal polling indicated opposition to the agreement throughout Russia, particularly in the Far East.⁸⁶ This opposition, and Far Eastern concern about environmental issues, lends credence to Larin's argument that the residents of Russia's Far East fear Beijing less than they fear that Moscow will not respond to their needs and interests.⁸⁷

Russian scholars who see China as a threat often cite Chinese historical claims in the Russian Far East. Large portions of that territory were Chinese until the late 19th century, when they were ceded to Russia. Although no prominent Chinese leader or scholar has suggested a claim to this territory, certain Russian analysts argue that the Chinese might yet do so.⁸⁸ Some in Russia fear that China's extensive trade with the United States will eventually lead Beijing to favor Washington, not Moscow, in its foreign policy decisionmaking.⁸⁹ Russian and Chinese analysts have discussed China's own fears that Russia will eventually turn to the United States, aligning with it against China.⁹⁰ Some analysts have postulated that if Sino-U.S. relations deteriorate, and if the two countries come into open conflict over Taiwan, Russia

2007; and "Rossiiane Khoryat Druzhit' s Kitayem, No na Rasstoyanii [Russians Want to Be Friends with China, but at a Distance]," *VTzIOM*, Press Release No. 674, April 16, 2007.

⁸⁶ Sergei Blagov, "Russia Hails Border Deal with China Despite Criticism," *Jamestown Foundation Eurasia Daily Monitor*, Vol. 2, No. 102, May 25, 2005; and Shlapentokh, 2007.

⁸⁷ Larin, 2007, pp. 142–154.

⁸⁸ Shlapentokh, 2007; and author discussions with Russian and Russia-based specialists and analysts, Moscow, November 2006, and in Moscow and Khabarovsk, June 2007.

⁸⁹ Portyakov, 2007.

⁹⁰ Klimenko, 2005.

might find itself forced to decide whether to support China against the United States in an armed conflict.

Although the costs and benefits of ties with China are much debated, most analysts believe that any threat from China is unlikely to come to a head for at least a decade. The extent to which the perceived threat is military—rather than economic or demographic—is unclear. Many in Russia may feel that there is a need to hedge against a future Chinese threat, but few seem to feel the danger is imminent.

Japan

Since the breakup of the Soviet Union, Japanese and Russian leaders have sought a breakthrough on their long-standing territorial dispute over the Kurile Islands. The strong leadership of Prime Minister Koizumi Junichiro and President Putin in their first terms seemed to herald the potential for the issue to be resolved, which would have allowed Japan and Russia to normalize their relations. In fact, both Yeltsin and Putin had talked of the possibility of ceding the four southernmost islands back to Japan as part of an agreement.⁹¹ The nationalist turn of both leaders in their second terms made them less inclined to compromise.⁹² The dispute has not prevented the development of close economic contacts, and discussions about energy have flourished. Furthermore, Japan supports Russia's role as a fellow member of the G8, just as the European members do. Trade between Russia and Japan has increased to \$18 billion annually in 2007, and investments by Japanese companies in Russia have continued. Of special symbolic importance was the opening of a Toyota assembly line near St. Petersburg, which Putin attended.⁹³ Some Russian analysts see Japan as an excellent prospective partner for Russia and believe that Japan could

⁹¹ Dmitri Trenin, "Rossiia v Mire 2017 Goda, Konturi Liberal'noy Vneshney Politiki [Russia in the World of 2017, the Contours of a Liberal Foreign Policy]," *Znaniya*, No. 11, November 2006b, pp. 160–170.

⁹² Gilbert Rozman, "Russia in Northeast Asia: In Search of a Strategy," in Robert Legvold, ed., *Russian Foreign Policy in the 21st Century and the Shadow of the Past*, New York: Columbia University Press, 2007, p. 348.

⁹³ "Russia-Japan Trade May Reach a Record 18 to 19 Billion Dollars in 2007," ITAR-TASS, December 27, 2007.

become an even more valuable trade partner than it already is. The government of Japan rarely criticizes the domestic policies of other states, and it presents an alternative (or at least a complement) to China as an economic and political partner.⁹⁴ Others, however, raise concerns about Japan's remilitarization and its impact on the region,⁹⁵ and the Kurile issue remains a fundamental barrier to closer ties—or even the signing of a peace treaty to formally conclude WWII between the two countries.⁹⁶

North Korea

Russia greatly values its role in the Six-Party Talks, the multinational diplomatic initiative convened to respond to North Korea's nuclear program. Russia's involvement contributes to its efforts to enhance its prestige, ensure nonproliferation, and build trade ties and a stronger overall relationship with South Korea. For the most part, Russia has followed China's lead during the talks. Russia agrees that the situation should be resolved through the Six-Party Talks, and that any resolution should require North Korea to give up its nuclear weapons and the United States to offer some concessions.⁹⁷ Russia's involvement has had constructive results. In the summer of 2007, Russian banks, with government permission, transferred frozen North Korean assets, enabling negotiations, similarly frozen, to move forward.⁹⁸ Peaceful resolution of the Korean issue would be good for Russia because it would permit the creation of a transportation corridor from Vladivostok to Pyongyang. That corridor could then be linked to a rail line to Seoul, providing Russia with an additional long-distance transport option for oil exports. Unlike China, Russia could also benefit from Korean unifica-

⁹⁴ Kunadze, 2007. See also Vasiliy Saplin, "Rossiia-Yaponiya. Kak Ustranit' Asimmetriyu v Otnosheniyakh? [Russia-Japan. How to Mitigate the Asymmetry in the Relationship?]," *Mezhdunaradnaya Zhizn'*, May 2007, pp. 63–70.

⁹⁵ Larin, 2007.

⁹⁶ Kunadze, 2007; Saplin, 2007.

⁹⁷ Rozman, 2007, p. 357.

⁹⁸ "Russia to Help North Korean Funds Row," BBC News, June 12, 2007.

tion, which would improve trade prospects with the peninsula.⁹⁹ How Russia's interests on these issues develop will likely depend on how relations with the two Koreas (and relations between the two Koreas) evolve.

Other Relationships in Asia

Russia has a long-standing relationship with India. It includes a very substantial arms trade that is one of the largest components of overall trade between the two states. However, relations have remained somewhat stagnant on other issues, possibly because of India's equally long-standing commitment to nonalignment and its difficult relationship with China. Deepening the Russo-Indian relationship is described as a priority in Russia's Ministry of Foreign Affairs survey, which discusses India in the context of China, energy sales, and proliferation.¹⁰⁰

Russia is also seeking to expand trade, including its mainstays of energy and weapons sales, throughout Asia. Recent plans to extend pipelines to China involve getting Russian oil to ports whence it can be exported throughout Asia. But, as Larin notes, Russia's argument that it is an Asian country is belied by the absence of a consistent Asia policy emanating from Moscow.¹⁰¹

Transnational Threats

Terrorism: Definitions and Threats

A surprising number of Russian analysts and at least some portions of the Russian government have been strikingly sanguine in recent years about the dangers posed by transnational threats such as terrorism, weapon of mass destruction (WMD) proliferation, and transnational

⁹⁹ Elizabeth Wishnik, "Why a 'Strategic Partnership?' The View from China," paper presented at the Conference on China-Russia Relations in the 21st Century, Washington, D.C., February 22–23, 2007. See also Elizabeth Wishnik, "Russia and China: Brothers Again?" *Asian Survey*, Vol. 41, No. 5, September–October 2001, p. 817.

¹⁰⁰ Ministry of Foreign Affairs of the Russian Federation, Department of Information and Press, 2007b.

¹⁰¹ Larin, 2007.

organized crime. Analysts and policymakers do not deny the existence of these problems, and Russia has certainly used shared views on terrorism and extremism to help it build ties with Central Asian leaders and China. It has also used the threat at home to build up domestic security structures, as discussed in Chapter Two. Despite these acknowledgments, however, some Russian analysts believe that the transnational nature of these dangers has been somewhat exaggerated, at least when it comes to their effect on Russia. One analyst, speaking with the author in November 2006, asked rhetorically, “When was the last time there was a terrorist attack in Russia?” In fact, there had been a series of seemingly coordinated attacks in the fall of 2005, as well as several high-profile attacks in prior years.

One reason that terrorism is no longer perceived as a serious threat, according to the analysts who argue that it is not, is Russia’s “success” in pacifying Chechnya. This is believed to have removed much of the motivation for terrorism in Russia, and has given the government confidence that it can deal with the challenges posed by radical Islam—even as violence elsewhere in the North Caucasus has grown.

For many years, Russia made a strong argument that the support of foreign groups and fighters for the Chechen radicals meant that Europe, the United States, Russia, China, and the Central Asian countries were all fighting the same enemy. Analysts now question whether this is the case. Without Chechnya to motivate them, some Russians argue, there is no reason for al Qaeda and its ilk to target Russia. Some posit that Russia’s historically good relations with the Muslim world and large Muslim population also help protect the country.¹⁰²

Many Russian and outside analysts find these arguments naïve. They argue that Russia exaggerates both its success in Chechnya and the warm feelings it engenders among Muslims abroad. Violence in Chechnya has not ended. Indeed, clashes between Russian forces and Ramzan Kadyrov’s local forces continue, as does violence between those “allies” and insurgents. Chechnya and the rest of the North Caucasus remain a rallying point for Muslim criticism of the developed world,

¹⁰² Author discussions with Russian and Russia-based specialists and analysts, Moscow, November 2006 and June 2007.

including Russia. Russia itself has drawn attention to the foreign fighters who fought there in the 1990s. Some argue that Russian advances toward Muslim states and organizations on the international level may have been motivated by the desire to reduce criticism of its internal policies toward Muslims and traditionally Muslim regions.¹⁰³

Moreover, there is little evidence to suggest that radical Muslims view Russia any differently than they do the United States or the European nations. There is no reason to believe that Arab countries, secular or otherwise, see Russia as an unusually close or reliable ally. According to critics of Russian policy, violent Islamist political radicals see Russia as simply another Judeo-Christian-secular state, perhaps one easier to attack than others because of its porous borders.

Those Russians who do see transnational terrorism as a threat conceive of terrorism differently than analysts in the United States. Although Russia is threatened by transnational terrorism, this terrorism is powerful only to the extent that transnational groups support domestic radicals, particularly Islamist radicals. The Russians who see transnational terrorism as a threat believe that the United States and its partners do not understand the specific threat that Russia faces. Indeed, they believe, these countries exacerbate that threat. They note that the United Kingdom has refused to extradite Zakaev, and a U.S. television network broadcast an interview with Shamil Basaev before his death.¹⁰⁴

Russian analysts who view terrorism as a threat and advocate it as a focus of security planning tend to define terrorism broadly: They include a range of opponents of the Russian state in its ranks. Russian counterterror laws reflect this. Terrorism, separatism, and extremism are considered part and parcel of a single whole—or at least are viewed as inextricably linked to one another. This is a wider view of terrorism than is accepted in the United States and Western Europe, although

¹⁰³ Malashenko, 2007.

¹⁰⁴ Anokhin and Shishkin, 2006; Anatoliy Porobov and Sergei Ulanskiy, "Voyennaya Politika Rosii v Sisteme Soveremennikh Mezhdunarodnikh Otnosheniy [Russia's Military Policy in the Contemporary System of International Relations]," *Suvorovskiy Natisk*, May 29, 2007; Kulikov, 2007.

it is consistent with views of terrorism in China, Central Asia, and a number of other states.¹⁰⁵ Russian defense and security planning and spending reflect (1) Russia's general lack of concern about terror as a transnational threat as it is defined by the United States and (2) significant Russian concern about domestic terror, broadly defined. Russian military exercises, including ones conducted jointly with other states, often include "terrorism" scenarios, but the actual maneuvers and operations seem far more related to traditional, conventional combat. This is further discussed in Chapter Five.

WMD Proliferation

Russian attitudes toward nuclear and WMD proliferation are also at variance with those found in the West. In a series of interviews with current and former Russian defense officials in 2005, Celeste Wallander and Robert Einhorn found a "striking consensus" among officials on the issue of nonproliferation. These interviews suggest that nonproliferation quite simply does not fall high on the priority list of Russia's prestige-oriented foreign policy. As with terrorism, Russia sees little threat to its own soil and citizens from proliferation by either states or nonstate actors.¹⁰⁶ This was further supported by our own discussions with analysts in Russia in 2006 and 2007. Russian officials and analysts noted that Iran and North Korea do not fear Russia and that the acquisition of nuclear weapons by al Qaeda is highly unlikely. They dismiss the notion that al Qaeda views Russia as just as desirable a target as Western states. Although avoiding proliferation is certainly perceived as a goal of Russian foreign policy, and although involvement in discussions about North Korea and Iran are of great benefit to Russia's prestige, nonproliferation itself ranks comparatively low on Russia's list of priorities.¹⁰⁷

¹⁰⁵ See Anokhin and Shishkin, 2006; Klimenko, 2005; Lukin, 2007.

¹⁰⁶ Celeste Wallander, "Geopolitics, and Neo-Containment, as Well as Common Security," *PONARS Policy Memo*, No. 371, Center for Strategic Studies, December 2005.

¹⁰⁷ Wallander, 2005; and author discussions with Russian and Russia-based specialists and analysts, Russia, November 2006 and June 2007.

Many Russian analysts fear that their government and their colleagues underestimate the threat of proliferation. With its porous borders, Chechen war, and continued unrest in the North Caucasus, Russia may be a tempting, convenient target for nonstate proliferators. Proliferation by Iran and North Korea would have negative repercussions for Russia. Weakened global regimes; a Teheran strengthened not just in the Middle East, but also vis-à-vis Moscow; and turmoil on the Korean peninsula do not benefit Russia. However, even analysts who take a pessimistic view believe that their government remains optimistic about the dangers of transnational terrorism and proliferation and is unlikely to truly believe, despite statements to the contrary, that cooperation with Western states against these shared threats should be a priority that trumps other concerns.¹⁰⁸

The United States

Russia has few economic ties with the United States. As noted above, its volume of trade with the United States is far lower than its trade with the EU or China. The United States is thus not that important to Russia in the economic dimension. The CIS countries are identified as Russia's top priority, and Europe receives page after page of discussion in Russia's Ministry of Foreign Affairs survey. In contrast, according to the survey's short section on the United States (and Canada), attention to the United States is dictated by the need for cooperation with Washington on a range of international issues and by Washington's involvement and weight in the broad range of global affairs.¹⁰⁹ Although the survey's section devoted to the United States is short, the United States

¹⁰⁸ Author discussions with Russian and Russia-based specialists and analysts, Russia, November 2006 and June 2007.

¹⁰⁹ Ministry of Foreign Affairs of the Russian Federation, Department of Information and Press, 2007b.

is mentioned—sometimes as a partner, and sometimes as a problem—in most if not all of the survey's other chapters.¹¹⁰

According to some Russian analysts, the United States is less a driver of Russian policy decisions than a constraint on some and a consideration in others.¹¹¹ But the evidence calls such assertions into question. A simple glance at Russian newspaper headlines reveals that the United States and its activities are important to Russia and to Russians. Discussions about other foreign policy issues often lead to the question of the United States.

Although the United States is not economically important to Russia, it is critical to Russia's efforts to rebuild its global prestige. When Moscow and Washington cooperate as equals, Russia's global importance is clear at home and abroad. The personal relationship between Putin and President George W. Bush helped legitimize Russia's government and elites. Similarly, arms control talks and other discussions with the United States about nuclear weapons remind the world of Russia's status as a nuclear weapon state of the first order: No other powers have arsenals to match Moscow's or Washington's. Partnerships between the two countries on such issues as North Korea and Iran are important both in and of themselves and as a way of demonstrating Russia's unique capacity to contribute to world affairs alongside the United States.

But if cooperation with the United States in some areas helps build Russia's prestige, so do criticizing and countering U.S. policy. When the United States accuses the Russian government of rolling back democracy, as Vice President Richard Cheney did in Vilnius in 2006, Russia responds.¹¹² Soon after Cheney's comments, then-President Putin accused the United States of hypocrisy in crusading for democracy and human rights in some countries but ignoring them in

¹¹⁰ Ministry of Foreign Affairs of the Russian Federation, Department of Information and Press, 2007b.

¹¹¹ Author discussions with Russian and Russia-based specialists and analysts, Moscow, November 2006 and June 2007.

¹¹² Richard Cheney, "Remarks at the 2006 Vilnius Conference," May 4, 2006.

others.¹¹³ The United States can withdraw from the Anti-Ballistic Missile (ABM) Treaty, but Russia can suspend the Treaty on Conventional Armed Forces in Europe. Russia can also protest the U.S. invasion of Iraq and U.S. plans to build radars in Poland and the Czech Republic. These and other declarations express genuine dissatisfaction with U.S. policies that Russia sees as dangerous, but they also demonstrate to Russians and the world that Moscow can and will stand up to Washington to protect its interests.¹¹⁴

In recent years, when the United States was unpopular in much of the world, Russian criticisms of the United States did not just establish its own independence; they also provided an alternative view—voiced by a major power—that other states (and their populations) could embrace. At times, Russian leaders have also appeared to present Russia itself as an alternative model of development to the United States or Western Europe.¹¹⁵

Russian opposition to U.S. actions and proposals also stems from Russia's genuine security and foreign policy concerns. Although few Russians would argue that the United States plans an armed attack on Russia, many if not most Russians in policymaking and analytical circles see the United States as a force that causes instability in the world, is capable of threatening Russia, and is hostile to their country.¹¹⁶ It is true that the Russian government supported U.S. actions after the attacks of September 11, 2001. Russian leaders might even have thought that the attacks would usher in a new era of cooperation between the two countries. The contribution the United States made to the Northern Alliance in Afghanistan, which Russia had been backing against the Taliban for years, drove the Taliban from power. The stabilization of Afghanistan was certainly a shared hope of the two coun-

¹¹³ Putin, 2006.

¹¹⁴ Bogaturov, 2007.

¹¹⁵ See Lavrov, 2007a and 2007b. The Russian “model” is also discussed in Sergei Karaganov, “Novaya Epokha Protivostoyaniya [A New Era of Confrontation],” *Rossia v Global'noy Politike*, Vol. 5, No. 4, 2007, pp. 58–69.

¹¹⁶ For an extreme example of this view, see Aleksandrov, 2006. See also Anokhin and Shishkin, 2006.

tries. At the time, the Russian government was still very much engaged in a bloody conflict in Chechnya. It believed that the United States was coming around to its way of thinking about the transnational terror threat, particularly in regard to radical Islam.

The years since September 11, however, have disappointed both countries. Cooperation on counterterrorism failed to materialize fully. Russia has come to fear transnational terrorism less, and has put more of a premium on stability. From Russia's point of view, the United States seemed to have embarked on a global strategy of regime change. The Iraq War and the color revolutions, for which Russia blames the United States, were seen as destabilizing. Criticisms of Russia's own domestic policies created the impression that the United States is hostile to Russia and its government.¹¹⁷

Pavel Zolotarev argues that although the United States' foreign and security policies may not be focused on weakening Russia, they certainly do not help make Russia safer.¹¹⁸ From the Russian perspective, U.S. policies often hamper Moscow's pursuit of prestige and economic growth. The United States consistently supports proposals for energy pipelines that circumvent Russia. Two consecutive two-term U.S. presidents have opposed the construction of pipelines that would go through Russian territory. U.S. support for the color revolutions and the continued U.S. presence in Central Asia are seen as potentially destabilizing and as a play for influence in Russia's backyard. The U.S. government criticizes Russia's domestic and foreign policies and was extremely critical of Russia during the crisis with Georgia—even as it refrained from public critiques of the Georgian government. The United States unilaterally withdrew from the ABM Treaty and announced that it would put components of an ABM defense system in Poland and the Czech Republic. Russian policymakers see these measures in particular as direct efforts to weaken Russia's nuclear deterrent. As discussed in more detail in Chapter Five,

¹¹⁷ For a Russian analysis of U.S. policy toward Russia in recent years, see P. T. Podlesniy, "Rossiia i SShA v Nastupivshem Stoletii: Problemi i Perspektivi [Russia and the USA in the New Century: Problems and Perspectives]," *SShA-Kanada, Ekonomika, Politika, Kul'tura*, May 2007, pp. 61–76.

¹¹⁸ Pavel Zolotarev, "Tzeli i Prioriteti Voennoy Politiki Rossii [Goals and Priorities of Russian Military Policy]," *Rossiia v Global'noy Politike*, Vol. 5, No. 2, 2007, pp. 76–87.

the Russian government believes that U.S. nuclear planning remains focused on Russia. Perhaps worst of all, the United States acts without consulting Russia, even on decisions that Russia believes affect its vital interests.¹¹⁹

Some Russian analysts believe that the United States is a declining power. The war in Iraq, U.S. economic problems, and an erosion of Washington's prestige abroad are the apparent signs of decline.¹²⁰ Some view the weakening of U.S. power as a motivation behind U.S. hostility toward Russia, which, like China, is growing stronger. Sergei Karaganov agrees that growing U.S. weakness is indeed a factor in U.S. criticism of Russia; but he also believes that Russia's responses to this criticism stem from its failure to recognize just how much stronger it has become.¹²¹ Others argue that although the United States is losing influence globally, this is not in Russia's long-term interests, because the U.S. decline will lead to more regionalization and a more dangerous world.¹²²

All that said, the Russian government consistently argues that some cooperation with the United States is necessary. It identifies the same areas that U.S. leaders do when arguing for cooperation with Russia: the fight against terrorism, nuclear proliferation, and other transnational threats.¹²³ The United States should be concerned, however, that these issues—which form the core of current U.S. foreign policy—are not top Russian foreign policy priorities. Moreover, one core issue for the United States—counterterrorism—is defined very differently in Russia. Many Russian analysts and officials directly and

¹¹⁹ Author discussions with Russian and Russia-based specialists and analysts, Moscow, November 2006 and June 2007.

¹²⁰ V. Inozemtzev, "'Postamerikanskiy Mir': Mechta Diletantov i Neprostaya Real'nost' ['Postamerican World': Dilettantes' Dream and Difficult Reality]," *Mirovaya Ekonomika i Mezhdunarodniye Otnosheniya*, March 2008, pp. 3–15.

¹²¹ Karaganov, 2007.

¹²² Inozemtzev, 2008.

¹²³ Ministry of Foreign Affairs of the Russian Federation, Department of Information and Press, 2007a; Podlesniy, 2007.

indirectly accuse the United States of using the fight against terror as an excuse to increase its own power and influence in the world.¹²⁴

Russia and the United States share common interests, and U.S. policy goals will necessitate some level of cooperation with Russia (and vice versa). However, these common interests are insufficient in and of themselves to induce Russia to cooperate with the United States consistently and broadly.

Russian Public Opinion on Foreign Policy

Russian public opinion on foreign policy issues can be a useful indicator of how Russian policy will evolve. The views of the public matter to Russian policymakers, and views on Russia's role in the world are in many ways elucidating. Russians' opinions of regional actors and the international scene can be summed up as affinity for Europe, uncertainty about Asia, ambivalence toward the United States, and defensiveness in regard to the "Near Abroad." According to one poll, more than two-thirds of respondents believe that Russia should seek closer ties with Europe, and more than half feel that Europe seeks good relations with Russia.¹²⁵ Of European countries, Russians have the highest opinion of Germany, characterizing it as a superpower and one of Russia's closest friends, and ranking it the world's most successful polity and society.¹²⁶ There are, however, elements of distrust in Russians' attitudes toward Europe: More than half of Russians polled in 2006

¹²⁴Anokhin and Shishkin, 2006; Klimenko, 2005; Baluyevskiy, 2007.

¹²⁵See "Rossiia i Evropeiskoe Soobshchestvo [Russia and the European Community]," Levada-Center, July 20, 2007; "Otnosheniia Rossii i Vedushchikh Evropeiskikh Stran [Relations of Russia and the Leading European Countries]," FOM: Public Opinion Foundation, June 8, 2006; and "Rossiia Usilivaetsia. No Eto ne Povod Ssorit'sia s Zapadom! [Russia Is Growing Stronger. But That's No Reason to Argue with the West!]," *VTzIOM*, No. 704, June 4, 2007.

¹²⁶"Rossiia—Mezhdu Vostokom i Zapadom [Russia—Between East and West]," *VTzIOM*, No. 361, December 19, 2005.

believed that Russia's relations with the leading European countries would never be truly friendly.¹²⁷

Russians cast their country as a unique European civilization that, because of its geographic position, also has many Asian interests.¹²⁸ Most Russians have positive feelings about Asia, but many are concerned about Russian relations with China.¹²⁹ In an April 2007 poll, 36 percent of Russians felt that relations with China were "better than average," and 40 percent classified them as normal or peaceful.¹³⁰ China has been consistently named one of the friendliest countries toward Russia.¹³¹ Yet feelings of military and economic rivalry remain. Very few Russians consider China an enemy, but a significant proportion of Russians expect China to become a dangerous neighbor or competitor during the 21st century.¹³²

Russians' views of the United States seem to be closely intertwined with their judgments about U.S. foreign policy and world events. The highest level of support (70 percent) for the United States occurred in September 2001; support dropped to a low (27 percent) in March 2003 when the United States invaded Iraq.¹³³ More than half of Russians surveyed feel that the United States plays a negative role in the world, and approximately one-third believe that the United States

¹²⁷"Rossiia i Evropeiskoe Soobshchestvo [Russia and the European Community]," 2007.

¹²⁸"Rossiia: Dushoi—v Evrope, Telom—v Azii [Russia: Soul in Europe, Body in Asia]," 2007.

¹²⁹"Rossiia: Dushoi—v Evrope, Telom—v Azii [Russia: Soul in Europe, Body in Asia]," 2007.

¹³⁰"Rossiiane Khotyat Druzhit' s Kitayem, No na Rasstoyanii [Russians Want to Be Friends with China, but at a Distance]," 2007.

¹³¹A. Golov, "Druzhestvennye i Nedruzhestvennye Strany dlya Rossiian [Friendly and Unfriendly Countries for Russians]," Levada-Center, May 30, 2007; and "Druz'ia i Vragi Rossii [Friends and Enemies of Russia]," FOM: Public Opinion Foundation, October 5, 2006.

¹³²"Druz'ia i Vragi Rossii [Friends and Enemies of Russia]," 2006.

¹³³The figure as of June 2007 was 48 percent; the 7-year average is approximately 57 percent ("Indeks Otnosheniia k SSHA [Index of U.S. Relations]," Levada-Center, undated).

is a threat to Russia's national security and economy.¹³⁴ Nearly one-third of respondents think the United States could go to war against Russia, and even more view the United States as one of the world's least-friendly countries to Russia.¹³⁵ Nevertheless, the United States is respected as one of the world's superpowers, and almost half of Russians surveyed would like to see Russia pursue closer relations with the United States.¹³⁶ Russian attitudes toward Americans as a people are consistently very positive.¹³⁷

Most Russians indicate that their country must seek to maintain influence over the CIS.¹³⁸ Neighboring Kazakhstan and Belarus are frequently recognized as Russia's closest friends, whereas the three Baltic states and Georgia are seen as unfriendly toward Russia.¹³⁹ Most Russians polled feel threatened by the possibility of Ukraine or Georgia joining NATO and are dismayed by Ukraine's closeness with the West.¹⁴⁰

Most Russians polled see their country as strong but not a superpower. Superpowers have strong economies and high standards of living, and most Russians feel that Russia has not yet met these criteria. A majority thinks that Russia will be a superpower in 15–20 years.¹⁴¹

¹³⁴“Rossiicko-Amerikanskie Otnosheniia i Vyborny v SshA [Russo-American Relations and U.S. Elections],” FOM: Public Opinion Foundation, February 7, 2008; and “Rossiia—Mezhdu Vostokom i Zapadom [Russia—Between East and West],” 2005.

¹³⁵Golov, 2007.

¹³⁶“Rossiia—Velikaia Derzhava? [Russia—A Superpower?],” *VTzIOM*, Press Release No. 616, January 24, 2007; and “SShA i Rossiia: Nove Plany po Sozdaniiu PRO [USA and Russia: New Plans on Creation of NMD],” FOM: Public Opinion Foundation, June 21, 2007.

¹³⁷“Rossiia i SshA [Russia and the USA],” Levada-Center, December 20, 2007.

¹³⁸“Rossiia Usilivaetsia. No Eto ne Povod Ssorit'sia s Zapadom! [Russia Is Growing Stronger. But That's No Reason to Argue with the West!],” 2007; “Obshchaia Otsenka Rossiiskoi Vneshnei Politiki [General Appraisal of Russian Foreign Policy],” FOM: Public Opinion Foundation, October 5, 2006; and L. Sedov, “Strana i Mir [Country and World],” Levada-Center, May 6, 2006.

¹³⁹Golov, 2007.

¹⁴⁰Sedov, 2006.

¹⁴¹“Rossiia—Velikaia Derzhava? [Russia—A Superpower?],” 2007.

Russia's participation in and cooperation with certain international organizations is generally viewed as important for maintaining a sufficiently high profile on the world stage. Russian opinions of the UN are markedly lukewarm. Two-fifths of Russians polled feel that the UN plays a positive role in the world but that UN activities do not align with Russia's national interests. Nearly half of those polled believe that Russia has very little or no influence in the UN.¹⁴² The WTO and the G8, on the other hand, generally meet the approval of respondents. Nearly half of Russians surveyed feel that entry into the WTO is in Russia's interests, and three-fourths support Russia's continued participation in the G8.¹⁴³ Forty percent of Russians agree that NATO is a threat to Russia, yet half of Russians polled believe that partnership with NATO is in Russia's interests.¹⁴⁴ When asked to identify elements of NATO's mission, Russians provided a variety of responses, ranging from protecting the interests of the United States to stopping WMD proliferation. Some believe that NATO has lost its mission and is a remnant of the Cold War.¹⁴⁵

For the most part, Russians believe that their country plays a leading role in the world and that Russia's influence is growing.¹⁴⁶ Reviving Russia's superpower status is an important goal for one-third of respondents, and the economy—widely seen as insufficiently modern compared to the economies of other world actors—was mentioned as the primary obstacle. Nearly half of Russians polled feel that Russia's

¹⁴²“Otnosheniia k OON: Monitoring [Relations Toward the U.N.: Monitoring],” FOM: Public Opinion Foundation, April 26, 2006.

¹⁴³“Rossiia v ‘Bol’shoi Vos’měrke [Russia in the ‘G8’],” FOM: Public Opinion Foundation, June 22, 2006.

¹⁴⁴“Ugrozhaet Li NATO Rossii? [Does NATO Threaten Russia?],” *VTzIOM*, No. 454, May 24, 2006.

¹⁴⁵“Ugrozhaet Li NATO Rossii? [Does NATO Threaten Russia?],” 2006.

¹⁴⁶“Rossiia Usilivaetsia. No Eto ne Povod Ssorit’sia s Zapadom! [Russia Is Growing Stronger. But That’s No Reason to Argue with the West!],” 2007; and “Rol’ Rossii v Mire: Monitoring [Russia’s Role in the World: Monitoring],” FOM: Public Opinion Foundation, May 25, 2006.

recent economic upswing was based on high oil prices.¹⁴⁷ Russians were also pleased with President Putin's handling of foreign policy.¹⁴⁸ They identify support for peace and action against international conflict as key characteristics of a "correct" foreign policy for Russia.¹⁴⁹ More than half of Russians polled feel that Russia is internationally respected, even feared. Yet approximately 40 percent of respondents feel that Russia is not a developed or leading country and that Russia has an insufficient number of allies.¹⁵⁰

Russia's Evolving Goals

Both the Russian government and the Russian public have embraced a prestige-seeking worldview. Countries that seek prestige seek it for one of two reasons: to cement their current influence and political and economic power, or to ensure that this influence and power will grow. In Russia's case, the Russian government wants more influence and more power than it has today and is building up its prestige toward that end. That said, Russia's pursuit of more prestige is not necessarily at odds with the goals of most other states. The exception to this lies in Russia's efforts to expand its influence in its immediate neighborhood, where Russia's goals and actions could escalate tension, damage relations, and draw in a broad range of states.

Russia has little interest in expanding territory through force of arms: Indeed, it does not seek more territory, simply more influence. It has shown that it is willing to use military power to build that influence, but its designs on South Ossetia and Abkhazia, for example, are

¹⁴⁷ "Rossiia Usilivaetsia. No Eto ne Povod Ssorit'sia s Zapadom! [Russia Is Growing Stronger. But That's No Reason to Argue with the West!]," 2007.

¹⁴⁸ "Obshchaia Otsenka Rossiiskoi Vneshnei Politiki [General Appraisal of Russian Foreign Policy]," 2006; and "Otsenki Deiatel'nosti [Activity Evaluation]," Levada-Center, March 2007.

¹⁴⁹ "Obshchaia Otsenka Rossiiskoi Vneshnei Politiki [General Appraisal of Russian Foreign Policy]," 2006.

¹⁵⁰ "Prestizh i Imidzh Rossii v Mire [Russia's Prestige and Image in the World]," FOM: Public Opinion Foundation, May 31, 2007.

not attempts at territorial aggrandizement in and of itself. Rather, they are a demonstration to Georgia and other neighbors that Russia will defend its interests. Although Russia is not quite a status quo power, its expansionism is defined by a desire for more respect and for other great (and lesser) powers to show greater consideration for its interests. As Aleksei Bogaturov argues, Russian criticism of Western policies is less a reflection of anti-Western sentiments than an expression of the country's desire to be seen as an equal player and to receive Western and global respect.¹⁵¹

Despite Russia's current relative security against substantial external threats, the country's recent weakness has generated fear among Russians that this security will not last. Some believe that Russia must strengthen itself now to protect itself later. Russia's continued efforts to transform energy interdependencies into political leverage—despite the lack of effectiveness of these policies in the past—can be seen in this light, as can the military campaign in Georgia. The logic behind these efforts is that if Russia's actions garner it the respect it needs now and in the future, the mistrust they engender is acceptable and manageable. From an outsider's perspective, the danger is that Russia's fears will drive it to increasingly hostile postures vis-à-vis other states, particularly the United States, and that those states will respond in kind. A downward spiral of mutual recriminations may not prove that easy to fix.

Russia's attitudes could change. Any one of several events could alter Russia's foreign policy course. For instance, a major terrorist attack in Russia that is credibly linked to al Qaeda could demonstrate that transnational terrorism poses as much of a threat to Russia as it does in the West; this realization could then lead to much closer cooperation. Terror attacks originating domestically or in the "Near Abroad" could also heighten Russia's sense of insecurity. Instead of bringing it closer to the United States, however, these attacks could be used as an argument for stronger domestic control. Russia could even come to blame such an attack on the United States, arguing, for instance, that the

¹⁵¹ Bogaturov, 2007.

United States supports “destabilizing” opposition groups in neighboring countries.

U.S. and European actions will also shape Russian foreign policy. The more that the United States or EU member states are perceived as hostile by Russia, the more the Russians will respond in kind. Russia’s response to continuing Western criticism of the country’s domestic policies is a case in point, as are Russian responses to U.S. relations with other former Soviet republics, U.S. plans for missile defenses in Europe, and U.S. efforts to promote pipeline routes that circumvent Russia. Russia responds with accusations and actions of its own, creating a cycle of hostility. Russian efforts to use energy as a lever with its immediate neighbors make Western European states nervous, and may over time lead them to seek alternative energy suppliers. Tense relations between Russia and Central and Eastern European EU members (such as Poland and the Baltic states) may contribute to growing tension. Further armed conflict in Central Asia or the Caucasus that involves Russia will almost certainly lead to further criticism from the West, as the experience with Georgia has shown. Given the scale of trade between Russia and Europe, however, it seems unlikely that Russo-European relations will become truly hostile. Russo-U.S. relations are at greater risk.

Although Russia and the United States may be on a path that strains their relations, the spiral of hostility could be broken. Opposition and free speech in Russia are not what they once were, but there remains considerable debate on the future of Russia’s foreign policy, including attitudes toward the United States. Although these are represented more, or at least more openly, in the academic debate, they also influence government positions and policies.

Moreover, the recent change in government in Moscow that made Medvedev president may, over time, create some room for maneuver and policy change. Putin remains the clear guide of Russia’s foreign policy, but Medvedev may come to play more of a role, and may have different views on some key issues. For example, two of Medvedev’s allies, Finance Minister Alexei Kudrin and State Electricity Chief Anatoly Chubais, have complained that Putin’s tough foreign policy toward

the West hurt Russia's economy.¹⁵² They advocate greater international cooperation, including membership in the WTO (a long-standing goal of successive Russian governments), and have complained about increasingly hostile relations between Russia and the United Kingdom.

The recent presidential elections in the United States also open up room for change, even as they come at a time of great tension between the two countries. Like Medvedev, only more immediately, new U.S. President Barack Obama will have an opportunity to define new policies and reevaluate old ones. This creates the potential to spur cooperation, particularly in areas where both Russia and the United States see substantial opportunities for mutual gain. The two countries could usefully engage in the Caucasus, cooperating (rather than opposing one another) as conflicts are resolved and focusing on shared interests rather than competition.¹⁵³ The same can be said of their engagement in Central Asia. Transnational threats remain an area of concern for both, even if definitions differ. Arms control, discussed in Chapter Five, presents possibilities for cooperation. One key to success in improving relations will be a better mutual understanding of the other country's interests and goals; this will allow both parties to know who is doing whom a favor, and when. Another key to success will be a genuine willingness on the part of at least one of the two nations to face the risks, at home and abroad, inherent in this sort of cooperation.

¹⁵²Greg Bryanski, "Top Russian Officials Want Foreign Policy Shift," Reuters, January 30, 2008.

¹⁵³R. Craig Nation, "Russia, the United States, and the Caucasus," Strategic Studies Institute, February 2007.

Russia's Defense and Security Policy

As we have discussed, Russia can spend a good deal on its defense and security and has increasingly done so. It has also undertaken aspects of military reform. To what extent, however, is Russia's defense planning in line with Russia's interests and threat perceptions? This chapter begins by examining Russia's stated and apparent security doctrine and goals. It then considers just how much manpower will be available for defense in coming years. After this, it assesses the directions and capabilities of Russia's counterterror, naval, ground, and air forces. This chapter concludes by addressing Russia's evolving attitudes toward its nuclear arsenal and missile defense. The defense industry and the question of arms exports was, of course, discussed in Chapter Three.

Goals and Doctrine

Speeches and Documents

In recent years, reform in Russia's security sector has focused on several critical goals. One is consolidation of the defense industry by, for instance, unifying the procurement effort. A second is the attempt to build a military force staffed primarily by professional rather than conscript soldiers; Russia also aims to improve the prestige of the armed forces within Russian society. A third goal stems from the recognition that Russia's security forces are a source of global prestige in and of themselves. In the words of former Minister of Defense Sergei Ivanov, "in the 21st Century, Russia's Armed Forces must be commensurate

with the status of a great power.”¹ These goals, however, do not answer the question of what Russia’s security forces are meant to be able to do, or whether they can do it.

In the late 1990s and early 2000s, Russia experienced a fairly public debate about its military doctrine, specifically the trade-offs between prioritization of nuclear strategic and conventional forces.² Discussions of what Russia’s spending and development priorities should be continue, but nuclear issues have taken something of a back seat. There is an assumption that nuclear weapons underpin Russia’s security as weapons of last resort. The debate today centers on the purpose and direction of conventional forces, a question that reflects continuing debate about the nature of the threat.

The lack of consensus is reflected in the fact that Russia has not published any formal military doctrine since 2000. Although there has been much discussion by Vladimir Putin and other leaders about the need for a new doctrine, at the time of this writing, none has yet emerged.³ In the meantime, numerous laws and regulations are produced annually to regulate and govern Russia’s military forces. Mahmut Gareev, president of Russia’s Academy of Military Sciences, has recently complained about the large number of these documents, and their redundancies and contradictions with one another. He has called for a comprehensive effort to make sense of them all.⁴

In October 2003, the MOD published a policy paper that outlined priorities for security.⁵ Officials took great care to note that this was not a doctrinal document, and the paper was criticized as being too

¹ Ivanov, 2004.

² A brief overview of these debates can be found in Olga Olikier and Tanya Charlick-Paley, *Assessing Russia’s Decline: Trends and Implications for the United States and the U.S. Air Force*, Santa Monica, Calif.: RAND Corporation, MR-1442-AF, 2002, pp. 77–79.

³ “Kakoy Bit’ Voyennoy Doktriny Rossii [What Russian Military Doctrine Should Be],” *Krasnaya Zvezda*, January 26, 2007.

⁴ Viktor Litovkin, “Akademicheskoye Besspokoystvo [Academic Unrest],” *Nezavisimoye Voyennoye Obozreniye*, January 25, 2008a.

⁵ For the text of the paper, see Russian Federation Ministry of Defense, “Urgent Tasks of the Development of the Russian Federation Armed Forces,” brochure, RIA Novosti, October 3, 2003.

broad in its demands that Russian forces prepare for all possible threats and for somewhat blithely declaring reforms complete.⁶ The increased attention paid to defense reform since October 2003, and statements by officials regarding the need for progress in a variety of areas, indicates that this policy paper has been partly overcome by events—indeed, some say that it is now ignored.

As far as threats are concerned, however, the MOD paper's broad view retains some currency. As discussed in the previous chapter, Russia's threat environment appears to be comparatively benign to an outside observer, but various Russian analysts and leaders see possible threats emerging from a variety of directions. For instance, Ivanov echoed the basic tenets of the MOD paper when he argued in 2004 that although Russia faces little in the way of external threats, it must be prepared for them to reemerge.⁷ Reflecting Russia's binary view of NATO and the West, the paper explicitly states that NATO is not seen as a probable threat but that if the organization remains a military alliance with an offensive doctrine, Russia will have to restructure its planning, force structure, and strategy.⁸ The March 2007 Ministry of Foreign Affairs survey, although not a military doctrinal document, also identifies the same broad range of threats. It includes a blunt critique of Western expansionism under the guise of fighting new threats, but does not predict that conflict will arise from an expanding NATO; indeed, it notes that force is useless in resolving problems.⁹

In a November 2007 address to senior military leaders, Putin described Russia's armed forces as the guarantor of the country's security. He also painted the United States and the West less as threats than as problems, expressing concern about NATO members who abrogate

⁶ See Pavel Fel'gengauer, "Plan Razvala Armii Utverzhdyon [Plan for Army's Collapse Approved]," *Novaya Gazeta*, October 6, 2003; and Oleg Odnokolenko, "The Science of Aggression," *Itogi*, October 14, 2003.

⁷ Ivanov, 2004.

⁸ Russian Federation Ministry of Defense, 2003.

⁹ Ministry of Foreign Affairs of the Russian Federation, Department of Information and Press, 2007b; Ministry of Foreign Affairs of the Russian Federation, Department of Information and Press, 2007a.

past agreements (a reference, almost certainly, to the United States and the ABM Treaty) and ignore Russia's offer to create a mutually accessible early warning system. He explained Russia's choice to leave the Treaty on Conventional Armed Forces in Europe (CFE) by noting the failure of other countries to ratify its amendments. He further suggested that Russia would consider returning to the treaty if other parties changed their stance. The threats he described were those arising from terrorism, extremism, and unrest near Russia's borders.¹⁰

Counterterrorism

As noted, the official Russian definition of terrorism is extremely broad. It encompasses "ideologies of force" or actions meant to influence governments, local governments, and international organizations by terrifying the population. It adds to that the rather vague phrase "other illegal acts of force." Moreover, according to the Terrorism Law passed in March 2006, terrorism also includes the promotion of terrorist ideas and the dissemination of related information. The law also allows Russian security services to destroy aircraft or ships hijacked by terrorists.¹¹ Such vague phrasing can certainly encompass a wide range of activities. This broad conception of the nature of the threat, along with genuine fear of separatism and political opposition (discussed in Chapter Two), may help explain why counterterrorism has become such a key tenet of Russian security policy.

Press and academic writings about security and security policy generally echo this approach, describing terror as a key threat and often including separatism for good measure. Other analysts critique Russian efforts to devote resources to counterterrorism and the country's cooperation with the United States and other Western countries, which, they argue, do not share Russia's goals. The Shamil Basaev interview

¹⁰ "Vooruzhyonniye Sili, Glavnaya Garantiya Bezopasnosti Rossii [Armed Forces, Main Guarantee of Russian Security]," *Rossiiskoye Voennoye Obozreniye*, No. 12, December 2007, pp. 8–16.

¹¹ Otto Luchterhandt, "Russia Adopts New Counterterrorism Law," *Russian Analytical Digest*, No. 2, June 20, 2006; Kulikov, 2007; and Embassy of the United States in the Russian Federation, Office of the Coordinator for Counterterrorism, "Russia Country Report on Terrorism—2006," Web page, April 30, 2007.

on the U.S. television show “60 Minutes” and the fact that European countries have granted sanctuary to some leading Chechen rebels are cited as examples of the West working at cross-purposes with Russia.¹² These views are sometimes echoed within decisionmaking circles: Russian General Staff Chief Yuriy Baluyevskiy incorporated just such a critique of Western partners in a December 2006 speech to foreign embassy staff in Moscow.¹³ Other analysts agree with the counterterror mission, but disagree with Russian partnership with the West, arguing that Russia should develop its own capacities and work with China. This view is at least somewhat consistent with Russian actions, if not its declared policy.¹⁴ Still others believe that counterterrorism is a waste of resources and that Russia should prepare more diligently and effectively for large-scale conventional war, perhaps against China, perhaps against NATO and the United States.¹⁵

Defense and Security Spending

If the government is a bit unclear in stating how it views security priorities, security spending tells a different story, one that seems to match Russia's threat environment as this monograph has assessed it. It is likely that at least some Russian military planning is geared toward a potential threat from NATO, China, or both, because these entities are the most capable threat that could challenge Russia (some planners also believe that preparation for the greatest threat will be sufficient against “lesser” challenges).¹⁶ However, there is little evidence from the pattern of Russia's expenditures to suggest that maintaining

¹² Anokhin and Shishkin, 2006, p. 10.

¹³ Baluyevskiy, 2007.

¹⁴ Klimenko, 2005.

¹⁵ See Aleksandrov, 2006; D. V. Gordienko, “Vozmozhnosti Oboronno-Promishlennogo Kompleksa Po Primeneniyu VS RF v Regional'noy Voynе [Possibilities of the Military Industrial Complex for Utilizing VS RF in a Regional War],” *Voyennaya Mysl*, No. 8, August 2007, pp. 73–80; and Remizov et al., 2007.

¹⁶ The U.S. experiences in Iraq and Afghanistan, and Russia's own experience in Chechnya, might call that into question, but thus far, the planning reportedly continues as it long has (author discussions with Russian and Russia-based specialists and analysts, Moscow, November 2006).

or developing large-scale conventional forces effective in massive land wars against NATO or China is a priority.¹⁷ Russia's evolving security force posture appears to reflect instead a desire to maintain a large and sufficiently technologically impressive force to garner respect (and deter any large-scale aggressors that might emerge) and a need to develop and maintain capacity for small wars, counterterrorism, and counter-insurgency actions at home or nearby.

To this end, Russia has been building and improving key capabilities, not building the force as a whole. It has focused its attempts to make Russian forces more professional (it is, for instance, scaling down its reliance on conscripts, as discussed below) and more capable on a small number of key units. Internal security forces of the Ministry of the Interior, the *Federalnaya Sluzhba Bezopasnosti* [Federal Security Service] (FSB), and border police seem to be becoming more professional more rapidly than the military.¹⁸ Internal security forces have also been getting an ever-larger share of the budget, while conventional forces have not. There has been an effort to streamline intelligence. In speeches by the president and senior security officials, Russia's strategic forces are consistently identified as a key priority; they have also received more funding and attention of late. All of this points to Russia's capacity to wage small, local wars, not engage in large-scale conventional conflicts. Russia appears to be hedging against the wide range of possible threats beyond its limited conventional capacity with its strategic arsenal. And, of course, it is seeking to maintain a force appropriate to its status, to paraphrase Ivanov.

According to some analysts, these reforms are leading Russia toward a security sector comprised of a new military triad: a smaller, modern set of strategic forces; a highly trained and professional set of specialized and capable forces; and a weak and ineffective conventional force.¹⁹ Others see it as Russia trying to have it both ways—maintain

¹⁷ For complaints about this, see Gordienko, 2007, and Remizov et al., 2007.

¹⁸ Vitaliy Tsymbal, "The Modernization of the Russian Armed Forces," *Otechestvennyye Zapiski*, No. 5, 2005.

¹⁹ Irina Isakova, *Russian Governance in the Twenty-First Century: Geo-Strategy, Geopolitics, and Governance*, London: Frank Cass Publishing, 2005, p. 269.

a huge conventional force and strategic nuclear capability for the greatest imaginable threat (NATO and the United States) while simultaneously building capacity for more-probable threats.²⁰ An alternative view holds that Russia's security-sector reform is failing, moving too slowly and ineffectively, and not building or rebuilding the capacities required to meet possible future threats (including NATO, the United States, and China, according to various analysts).²¹

So, what is the future of Russia's security forces? Demographics and reform will lead to a shrinking conventional force size, even as capability may improve. Russia's strategic forces, though now receiving attention, have been starved for some time, and Russia would certainly have an easier time maintaining a smaller nuclear arsenal. Thus, in coming years, Russia may end up with lower numbers of both nuclear strategic and conventional forces. If conventional capacity and capability improve, however, and if Russia's threat environment remains manageable, this is unlikely to be a problem. As Russia's 2008 conflict with Georgia demonstrated, reforms may already have borne some fruit—although much remains to be done.

Manpower

The October 2003 MOD report stated that a force size of just about 1 million people was optimal for Russia. Russia's capacity to maintain a force of that size, however, will disappear for purely demographic reasons in coming years. Russia's overall population is projected to fall from 2005 levels by 6–10 percent by 2025, but the decline in numbers of young men of draft age will be much more precipitous. The total number of young men who are 18 will fall from 1.3 million in 2005 to 650,000 in 2015; i.e., the number of 18-year-old males will halve

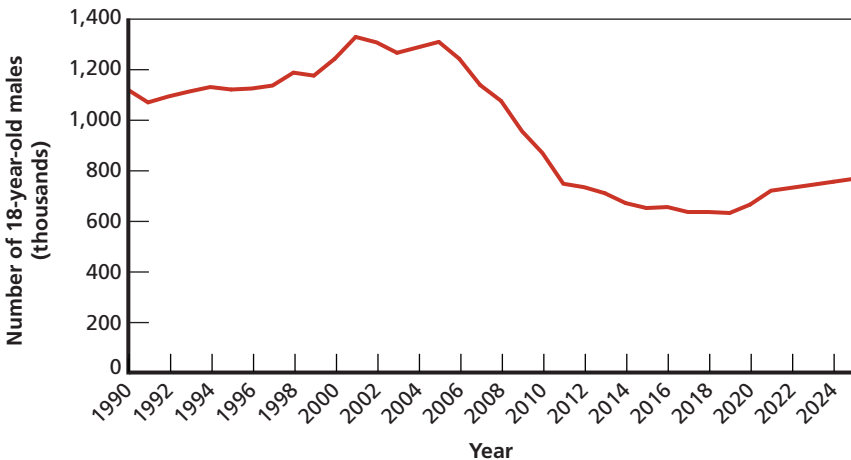
²⁰ Author discussions with Russian and Russia-based specialists and analysts, Moscow, November 2006.

²¹ See, for example, Gordienko, 2007, pp. 73–80; Litovkin, 2008a; Tsymbal, 2005; Remizov et al., 2007. Vladimir Milov and Boris Nemtsov also draw on the latter heavily in Milov and Nemtsov, 2008.

over the next decade. Their numbers are projected to rise slightly (to 770,000) by 2025 (see Figure 5.1).

According to IISS, Russia has reduced the size of its armed forces since independence from 2.7 million in 1992 to about 1 million in 2007, a drop of over 60 percent. The number of armed-service personnel per thousand Russians has fallen from 18.3 in 1992 to 7.2 in 2006.²² Other numbers suggest that as of early 2008, the Russian armed forces numbered 1.135 million people.²³ According to IISS, the Russian gov-

Figure 5.1
Number of 18-Year-Old Russian Males, 1990–2025



SOURCES: Russian Statistical Service, undated, and All Russian Census of 2002, Volume II, "Makeup by Age, Sex and Marital Status," undated.

NOTE: The census data provided the number of male Russians by age in 2002 while the Goskomstat data for 2006 provided information on numbers of births from 2003 to 2005 and mortality rates by age group. We used the mortality rates to create a Markov model to estimate numbers of 18-year-old males prior to and after 2002. We utilized births from 2003 to 2005 and the Markov model to project likely numbers of 18-year-old males between 2021 and 2023; we used births from 2006 and 2007 to project these numbers for 2024 and 2025.

RAND MG768-5.1

²² In 2004, IISS expanded its definition of the Russian armed forces to include paramilitary forces like the Border Guards. The figure of 1 million includes these forces (International Institute for Strategic Studies, 2004).

²³ Viktor Miasnikov, "Razofitzerovaniye [Deofficering]," *Nezavisimoye Voyennoye Obozreniye*, April 4, 2008.

ernment is no longer interested in downsizing and is seeking to stabilize the number of military personnel at 1.1 million.²⁴ The most recent formal Russian government statement on the issue, the 2003 MOD policy paper, judged military reform largely complete and predicted a force size in 2005 of approximately 1 million. This projection likely included only MOD forces.²⁵

The MOD is moving the armed forces away from a conscript-based force to a mixed force. The mixed-force components consist of a smaller group of conscripts (who will serve just one year, during which they will receive training and carry out support tasks, but will not be sent into combat) and professional or “contract” soldiers who will be recruited primarily from the conscript force and who will sign contracts to serve for three years or more as professional soldiers in a variety of specialties. The contract force will, in theory, include a substantial proportion of professional noncommissioned officers.²⁶ Moreover, the Russian armed forces reportedly plan to reduce the number of officers through retirements and the shifting of certain specialty jobs, such as law and medicine, to civilian rather than military billets.²⁷

The effort to transform the enlisted ranks is well under way at this time. As of 2008, the conscription period has shrunk from two years to one. Russian officials hope that a shorter conscription period will help limit the scourge of *dedovshchina*, the vicious hazing for which the Russian armed forces are infamous. This, in turn, is expected to improve responses to conscription; most young men who can legally or illegally evade military service do so (although the armed forces have been meeting their conscription quotas in the most recent drafts). It is also hoped that benefits instituted for contract soldiers—which include decent pay, mortgage plans, and educational support—will attract a substantial number of young men to sign contracts. The question that

²⁴ International Institute for Strategic Studies, 2007, p. 187.

²⁵ Russian Federation Ministry of Defense, 2003.

²⁶ In this monograph, we use the term *enlisted* to refer to soldiers, noncommissioned officers, warrant officers, etc. (i.e., to military personnel who are not commissioned officers).

²⁷ Miasnikov, 2008; and Viktor Litovkin, “S Diplomom—V Kazarmu [With a Diploma—To the Barracks],” *Nezavisimoye Voyennoye Obozreniye*, April 4, 2008b.

remains, however, is whether Russia's reform plans and demographic situation will allow the country to maintain its current force size into the future.

Based on planned Russian conscription rates and the projected pool of 18-year-old males, we can forecast plausible future numbers of conscript soldiers through 2025 using a Markovian model.²⁸ The use of 18-year-olds is a simplifying assumption to measure cohort effects.²⁹ We limit our analysis to males because there are no plans to expand universal conscription to women or even to expand the number of women in the Russian armed forces (approximately 90,000 women currently serve).³⁰

To estimate contract force size, we assume that 20 percent of conscripts will agree to sign contracts of three, five, or ten years' duration. This is higher than the rates Russia has been able to attain to date (the rate in 2006 was approximately 11 percent, for example), but we assume that better incentives will be effective. In addition, we assume that some number of contract soldiers will continue to enlist from the general population eligible to serve, rather than from the conscript pool. As of 2005, approximately 70 percent of new contracts were signed by conscripts and 30 percent by others.³¹ For example, 50,000 of Russia's 210,000 current contract soldiers, including noncommissioned

²⁸ Our model is based on the one created by Bernard Rostker and Olga Oliker in Bernard Rostker and Olga Oliker, "Prospects for Success of the Russian Contract Military Force," unpublished RAND research, 2007.

²⁹ Although individuals are subject to conscription until age 27, the size of the 18-to-27-year-old cohort is dictated by the number of 18-year-olds entering this pool each year. Moreover, the vast majority of conscripts are conscripted when they are 18, making the cohort of 18-year-olds a good proxy for the total pool of potential conscripts. The second-largest group is conscripted at about age 21 or 22 upon the completion of college (Litovkin, 2008b).

³⁰ Valentina Pavlova, "Krasota, Kotoraya Zashchishchayet Rodinu [Beauty, Which Defends the Motherland]," *Krasnaya Zvezda*, March 6, 2008.

³¹ "Russian Deputy Defense Minister Belousov Comments on Switch to Contract Service," *Moscow Izvestiya* [Moscow edition], September 20, 2005; "Russia to Have Almost 140,000 Professional Servicemen by 2008—General," *Moscow Agentstvo Voyennykh Novostey*, May 31, 2006; and "180,000 Serve in Russian Armed Forces Under Contracts"—Deputy Chief of Staff," *Moscow Agentstvo Voyennykh Novostey*, May 31, 2006.

officers, are women (who are not subject to conscription).³² Because the recruitment drive focuses predominantly on conscripts, we assume that the factors that drive enlistment “off the street” will remain fairly stable, with about 0.13 percent of the working-age population enlisting each year.

Although Russian retention rates today are well below optimal levels (and are difficult to assess precisely with available information), we estimate a “good-case” scenario using current U.S. enlisted service retention rates (from all services) from 2002, before the Iraq War. As the Russian armed forces are reformed and the career path becomes more attractive to a larger proportion of young Russians, we argue that U.S. retention rates provide a plausible, if optimistic, upper bound for a more professional Russian force.

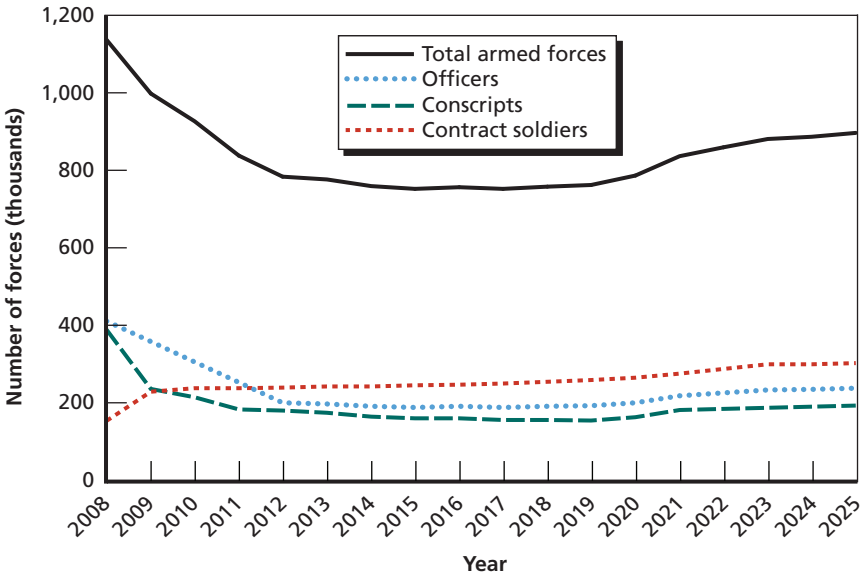
We then use our model to project a plausible size for the contract force that the Russian government could attract and retain. We also project the likely future size of the Russian officer corps based on reported plans to cut the current number of officers (454,000), down to 254,000.³³ If these assumptions hold, the Russian armed forces will shrink to about 750,000 over the next decade before rising to over 800,000 again after 2020 as the cohort of 18-year-olds rises, as depicted in Figure 5.2. (Compare this to the force of 1 million planned by the Russian MOD.) We reiterate that our projection is optimistic, utilizing as it does U.S. retention rates and successful recruitment. Obviously, less-optimistic assumptions would result in substantially smaller force sizes. Note also that our projection reflects a force with a high officer-to-enlisted ratio even after planned reductions. If the Russian armed forces were to further reduce their officer pool to approximately meet the U.S. officer-to-enlisted ratio of 1:5, total force size would also be substantially smaller. (The current officer-to-enlisted ratio in Russia is 6.7:10.0; our projected goal is 3.4:10.0.)

³² Nikolai Proskurin, “Kontraktnik—Velichina Postoyannaya [Contract Soldier—Permanent Size],” *Voyenno-Promishlenniy Kuryer*, February 6, 2008.

³³ Miasnikov, 2008; Litovkin, 2008b. We assume that the current officer corps is reduced by 50,000 officers annually between 2008 and 2012, at which point the ratio of officers to soldiers is assumed to stabilize.

Figure 5.2

Projected Size of Russian Armed Forces, Optimistic Case, 2008–2025



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We also examined the implications for conscription rates if the Russian government attempts to maintain a total force of 1 million. To generate a force of this size using the same assumptions about recruitment and retention rates described above, conscription rates would have to rise from 24 percent of the total pool of 18-year-old males in 2008 to 46 percent in the first part of the next decade; they would then decline to 31 percent after 2020, when the cohort of 18-year-olds increases again. These figures are very high, especially compared to recent history and the fact that recruitment rates out of the conscript pool would probably drop, rather than remain stable, given a larger draft. We do not find them plausible.

This is not to say that the Russian government could not marshal a 1-million-person army if this goal were made a national priority. However, we question how advantageous such a force would be. One option, for example, would be to retain large numbers of senior officers; however, this is unlikely to lead to a more effective military force.

Moreover, given how hard it has been for Russia to retain junior officers, this course of action would present difficulties over time. Assuming no change from planned officer ratios described above, and assuming that Russia focuses on recruiting enlisted personnel (including noncommissioned officers), Russia would have to expand the contract force from 300,000 to 550,000 in the next decade. As noted above, we do not think this could be accomplished through a simple increase in the conscription pool. However, Russia could recruit more contract soldiers from the general population. This would require a very substantial increase in salaries and benefits for these soldiers. It would also probably mean recruiting more women and more immigrants.³⁴ This policy option would be more expensive than the current plan and would entail some major shifts in military policy. It could also result in a substantial share of contract soldiers being over 30, female, or both.³⁵

Russia may or may not succeed in improving its armed forces and making its members more professional; however, it is highly unlikely to maintain for long the 1-million-person force it has today.

Counterterrorism, Ground, and Naval Forces

Goals and Priorities

The very public and very ugly denouements of hostage crises in Moscow in 2002 and in Beslan in 2004, and a handful of terrorist attacks in Moscow and other Russian cities through 2005, raised the profile of such problems just as Russian security priorities were being reconsidered.³⁶ They seem to have led to an emphasis on counterterrorism in force structure and planning. Counterterrorism has also become the watchword for many of Russia's international military exercises, some

³⁴ Immigrants who join the armed forces in Russia are eligible for a faster track to citizenship, but nonetheless constitute a very small proportion of the force.

³⁵ As noted above, nearly 25 percent of today's contract personnel are women, but women have not been a focus of recruitment efforts.

³⁶ A more recent terrorist attack on a passenger train in the summer of 2007 has, oddly, generated less response.

of which involve large-scale military efforts that are beyond what most think of as counterterrorism.³⁷

As noted already, Russia has increased spending on internal security considerably. One Russian analyst points out that the special forces budget has remained stable (at 10–13 percent) as a share of Russia's national security budget while internal security forces have grown (they now account for about 30 percent of Russia's security spending, compared to 10 percent in the 1990s). Defense spending, this analyst notes, has fallen as a share of the national security budget.³⁸ Insofar as terrorism is the new focus, the MOD has a smaller role: In a graphic that displays the responsibilities of various agencies for counterterror functions, the Russian MOD Web site indicates that the MoD has a "supporting"—rather than a primary—role in all tasks save two: securing weaponry (including WMDs) and "minimizing the effects of terrorism" (a primary task of each listed government structure).³⁹

The last few years have seen considerable streamlining and centralization of command and control for special-purpose forces and intelligence. In 2005, Russian officials decided to create a new unified command headquarters for the special forces, and this headquarters reports directly to the president. Special forces training and monitoring was also directed to be transferred from the regional directorates to the Main Intelligence Directorate of the General Staff. This structure removes the requirement of Duma approval prior to a presidential decision to deploy special forces inside or outside Russia. Service intelligence branches have been consolidated into the Main Intelligence Director-

³⁷ Oleg Pchelov, "Soobshcha Protiv Terrora [Jointly Against Terror]," *Krasnaya Zvezda*, July 13, 2007; Oleg Kobiletzkiy, "Mirnaya Missiya 2007"—Vmesty Protiv Terrora [Peace Mission 2007—Together Against Terror]," *Orientir*, No. 9, September 2007, pp. 24–25; and "Novosti v Nomer [News This Issue]," *Suvorovskiy Natisk*, September 29, 2007.

³⁸ Interview, Moscow, June 2007.

³⁹ Ministry of Defense of the Russian Federation, "Division of Responsibilities and Functions," Web page, undateda. It is worth noting that this chart appears to be based on the 1998 law rather than the 2006 law. However, because the 2006 law clearly vests authority in the FSB, these responsibilities most likely continue to hold (Ministry of Defense of the Russian Federation, "Fight Against Terrorism," undatedb).

ate.⁴⁰ The 2006 Law on Countering Terror laid out the responsibilities of various government structures in this regard; the MOD and the Ministry of Internal Affairs are subordinated to the FSB for counterterrorism functions.⁴¹ Some argue that these changes transform intelligence and special forces into a military structure of their own that lies outside of the normal channels of the MOD and reports directly to the president. Stephen Blank argues that this indicates a further centralization of power inside the office of the president, and that this will give the Russian president a way of responding to events abroad (e.g., future color revolutions) with military force.⁴² On the other hand, Russia also sees its special forces as the units that will engage with foreign peacekeepers in operations abroad; consequently, the government wants to be sure that they are up to snuff.⁴³

Terrorism aside, the effort to reform Russia's ground forces and navy also seems geared toward smaller threats, not larger ones. The 2003 program to reduce the dependence of permanent readiness units on conscripts and to staff them entirely with contract soldiers is well under way. It focuses on rapid readiness units that are deployable, capable, and comparatively small. This effort, combined with the shortening of the conscription period, could lead one to ask whether Russia is shifting from its historical practice of retaining a somewhat-capable large-scale "ready reserve" of trained former conscripts that could be called up in extreme need for a major war.

Russia's military exercises, both domestic and international, consistently involve a broad range of forces, including Ministry of the Interior personnel. Some of the exercises carried out by the Ministry of the Interior focus exclusively on policing efforts; one example is a recent joint exercise with Chinese counterparts.⁴⁴ These exercises sug-

⁴⁰ Irina Isakova, "Russian Defense Reform: Current Trends," *Strategic Studies Institute*, November 2006, p. 15.

⁴¹ Luchterhandt, 2006; Kulikov, 2007.

⁴² Blank, 2006, p. 65.

⁴³ Isakova, 2006.

⁴⁴ Aleksandrov and Denisov, 2007.

gest that smaller-scale unrest and violence, which are contained in Russian definitions of terrorism, are an important focus of counterterrorist training.⁴⁵

Challenges and Problems

Many questions have been raised about whether these changes will lead to a more capable Russian military. Many government statements declare that progress has been made,⁴⁶ but there have also been some very public critiques.

Complaints that contract personnel are no more effective than conscripts, and that they may in fact be more difficult to control, are common.⁴⁷ To an extent, these complaints are probably growing and transition pains: Command and control of a volunteer army differs from command and control of a conscript force, and it may take the Russian armed forces time to acclimatize. But other problems are also discussed at length in Russian press reports. Units that have transitioned to contract manning report problems with retention (including desertions and dismissals for cause, as well as failures to reenlist), *dedovshchina*, and other crimes.⁴⁸ The actual level of desertions may be underreported because desertions are frequently covered up at the unit level.⁴⁹ Not surprisingly, precise retention rates are difficult to assess.

⁴⁵ Pchelov, 2007; Kobiletzkiy, 2007; "Novosti v Nomer [News This Issue]," 2007.

⁴⁶ Some examples can be found in Porobov and Ulanskiy, 2007; and "Vooruzhyonniye Sili, Glavnaya Garantiya Bezopasnosti Rossii [Armed Forces, Main Guarantee of Russian Security]," 2007. A good source for positive assessments is Ministry of Defense of the Russian Federation, "Service Under Contract," Web page, undatedc.

⁴⁷ Remizov et al., 2007; Andrei Dobrov, "The Russian Army Needs to Be Rearmed," *Russian News Service* radio broadcast, March 5, 2008; and author discussions with Russian and Russia-based specialists and analysts, Moscow, June 2007.

⁴⁸ Alexander Golts, "No More Place for Criticism," *Moscow Times*, August 15, 2006; Aleksandr Tikhonov, "Airborne Troops: Ready for the Training Year," *Krasnaya Zvezda*, December 13, 2006; Viktor Myasnikov, "Na Visote v Armii Vorovstvo [Thieving at the Heights of the Army]," *Nezavisimoye Voyennoye Obozreniye*, May 19, 2006; and Remizov et al., 2007.

⁴⁹ Andrei Shitov, "Neustavshchina i 'Dedovshchina' Glazami Kadrovoho Ofitsera [Infractions and Dedovshchina in the Eyes of a Career Officer]," *Nezavisimoye Voyennoye Obozreniye*, May 26, 2006.

One press account states that less than 20 percent of soldiers are ready to extend their contracts, while other data suggest that as many as half plan to reenlist.⁵⁰

Reports of high levels of crime within the military also raise questions about the quality of contract soldiers. Critics argue that the people who choose to sign military contracts are those who doubt their ability to find work in the civilian world. Some may be criminals. Polling suggests they have lower educational levels.⁵¹ Indeed, in 2007, a deputy minister of defense indicated that although levels of crime have recently dropped among conscripts, they have increased among contract soldiers.⁵²

Some of these issues may simply take time to resolve, and improved benefits may increase the number of people seeking to join the armed forces. If so, Russia will be able to more carefully choose its contract soldiers. In the meantime, there is little question that Russia's conventional forces, although better than they were a decade ago, continue to exhibit problems. Hazing is still an issue, and high-profile cases (such as that of the Private Andrei Sichev, who was mutilated through beatings and torture administered by fellow soldiers) draw attention in Russia and abroad.⁵³ Aleksandr Savenkov, then-head military procurator, reported in 2005 that 2,609 military personnel faced charges of inappropriate relations (a charge that usually can be interpreted as hazing); 69 percent of them were charged with battery.⁵⁴ Savenkov has indicated that crimes linked to *dedovshchina* are growing by 25 percent annually, although he also notes that there is a welcome

⁵⁰ Inna Matveyeva, "Military Sociology: Commander, Instructor, Tutor," *Russian Military Review*, March 31, 2006; and "Ne Millioner, No . . . [Not a Millionaire, but . . .]," *Argumenti i Fakti*, December 20, 2006.

⁵¹ Matveyeva, 2006; Shitov, 2006.

⁵² Remizov et al., 2007.

⁵³ Vladimir Mukhin, "Armeyskaya Pokazukha v Borb'e s Kazarmennoy Prestupnost'yu [Army Window Dressing in the Fight Against Barracks Crime]," *Nezavisimoye Voennoye Obozreniye*, March 31, 2005; and Galina Klyus, "Soldiers Are Fleeing Their Units," *Vladivostok Arsenyevskiy Vesti*, December 13, 2006.

⁵⁴ Igor' Plugatarev, "Dedovshchina Zakovana v Bronyu Krugovoy Poruki [Dedovshchina Set in the Armor of Collective Responsibility]," *Nezavisimoye Voennoye Obozreniye*, February 10, 2006.

rise in the reporting of such infractions.⁵⁵ Conscripts, contract soldiers, noncommissioned officers, and officers have all participated in hazing violence.⁵⁶

Military personnel at all levels report problems with low pay, and some reports indicate that more than one-third of military families are at or below Russia's poverty line. It is worth noting that officer retention is low, particularly among junior officers (most of whom are reportedly not planning to serve out their terms).⁵⁷

Equipment

Both the ground forces and the navy have suffered from equipment shortages, and although there is an ambitious plan to rebuild ground forces and the navy, these goals may not be met. By and large, Russia's military forces continue to be equipped with aging Soviet-era land and naval systems that have received only minimal improvements. Naval ship-building has been particularly slow: The navy has received fewer than ten surface ships and submarines since 2000 (and three of these were ordered before the Soviet Union collapsed) and only one military ship has been fully built and delivered between then and the time of writing. The repair process is also slow.⁵⁸ Russia's one carrier is undermanned and underequipped, and its aircraft are reportedly overdue for modernization.⁵⁹ According to reports, modern antiship rocket systems and radars are assigned to Northern Fleet ships, and the Russia's Caspian Fleet is more capable than the naval forces of other Caspian littoral states, but the Black Sea Fleet is in disrepair and contains few

⁵⁵ Plugatarev, 2006; Golts, 2006.

⁵⁶ Dmitriy Yurov, "Slomat' Khrebet 'Dedovshchine [To Break the Backbone of Dedovshchina]," *Krasnaya Zvezda*, March 3, 2006; Myasnikov, 2006; and Maya Mamedova, "Komu na Rusi Sluzhit' Khorosho [For Whom It's Good to Serve in Rus]," *Trud*, April 20, 2006.

⁵⁷ Remizov et al., 2007.

⁵⁸ Remizov et al., 2007.

⁵⁹ Sergei Ivanovich Aleksandrov, "Demonstratsiya Morskoy Nemoshchi [Demonstration of Naval Inability]," *Nezavisimoye Voyennoye Obozreniye*, February 15, 2008.

capable vessels. There is little reason to think that construction will speed up if expenditures are not substantially increased.⁶⁰

The situation for the ground forces is also problematic. According to some analysts, army forces received fewer than 90 new T-90 tanks (about three battalions' worth; there are 200 battalions in the Russian land forces) between 2000 and 2007. Plans for 2006–2007 called for the purchase of 1,400 more tanks, a very substantial increase.⁶¹

Next Steps

There are ambitious plans for future reform. In late 2006, then–Defense Minister Sergei Ivanov laid out an extensive program for military development for 2007 through 2015.⁶² More recently, officials announced further reforms, including a shift to brigade-based structures. The question is whether these and future goals can be met. With appropriate resources, prioritization, and time, it is entirely possible that the Russian armed forces can rebuild their ground and naval capabilities even while the internal security forces are improved. However, until now, it has not been evident that those resources will be forthcoming, particularly for naval forces.

Still, progress in moving toward a contract force, building specialized capabilities, and streamlining intelligence indicates that the military is improving after many years of stagnation.⁶³ Although some discount Russian reports of success, Russian military units are participating in more exercises and are demonstrating more competence than they did between 1991 and 2003. New barracks are being built and benefits for soldiers and officers are increasing.⁶⁴ Personnel still complain of insufficient pay, but current problems fall well short of the arrears of the past.

⁶⁰ Aleksandrov, 2008.

⁶¹ Alexander Khramchikhin, "Vos'miletka Otstavaniya i Poter' [Eight-Year Period of Delays and Losses]," *Nezavisimoye Voyennoye Obozreniye*, February 13, 2008; and Remizov et al., 2007.

⁶² Sergei Ivanov, "Speech to Military Leadership," November 16, 2006.

⁶³ Porobov and Ulanskiy, 2007; "Vooruzhyonniye Sili, Glavnaya Garantiya Bezopasnosti Rossii [Armed Forces, Main Guarantee of Russian Security]," 2007.

⁶⁴ Porobov and Ulanskiy, 2007.

However, absent major policy changes, Russia's conventional forces will have only limited (though improved) capabilities for large-scale combat operations for the foreseeable future. The Georgia campaign of August 2008 is a case in point: It was successful, and demonstrated both Russian planning capacity and the ability of forces to implement those plans. On the other hand, it was short, and thus did not tax sustainability. Russian analysts, moreover, identified a broad range of problems and mishaps, particularly in targeting, use of air assets, coordination and command and control, and out-of-date equipment.⁶⁵

Russia's Air Force: Capabilities and Trajectory

In 1999, RAND analyst Benjamin Lambeth wrote a landmark study on the Russian air force. *Russia's Air Power in Crisis* chronicles the rapid decline of the Soviet, then the Russian, air force.⁶⁶ It describes how the once world-class Soviet Air Force, which had over 5,000 aircraft and highly trained pilots prepared to challenge NATO air forces, rapidly crumbled following the collapse of the Soviet Union. Budget cuts and the general economic and social upheaval of the 1990s precipitated the decline. Times are somewhat better today for the Russian Air Force, but some of the problems of the past still remain.

Personnel

One major remaining problem is the low morale of pilots and ground crews. In Soviet times, appeals to patriotism and the desire for adventure were enough to entice Soviet youth to join the *Voyenno-vozdushnye sily Rossii* [Russian Air Force] (VVS). Today, low pay, lack of flight time, and better job prospects elsewhere make recruitment and retention difficult. Despite some pay increases, an average of 400 pilots—and mostly younger ones—leave the force each year.⁶⁷

⁶⁵ See, for example, Anatoliy Tziganok, "Uroki Pyatidnevney Voyni v Zakavkaz'ye [Lessons of the Five-Day Caucasus War]," *Nezavisimoye Voennoye Obozreniye*, August 29, 2008.

⁶⁶ Benjamin S. Lambeth, *Russia's Air Power in Crisis*, Washington, D.C.: Smithsonian Institution Press, 1999.

⁶⁷ "Russia: Air Force," *Jane's World Air Forces*, November 2, 2006; and Remizov et al., 2007.

An additional problem is lack of funding for training and exercises. Front-line aviation pilots are now flying over 80 hours per year. This is a substantial improvement over the 1990s, when they only averaged 35 hours.⁶⁸ However, many fighter and bomber pilots still fly fewer than 40 hours per year. As in the 1990s, this lack of flight time has led to numerous safety problems and accidents.⁶⁹ According to some analysts, the lack of combat training exercises has been so severe that only one-third of the pilots who have joined the VVS since 1994 are considered combat ready.⁷⁰

Modernization

Force modernization is one area that has seen some improvement. For the first time since Russia became an independent state, a small number of new tactical aviation platforms are entering the force. In 2006, the first two Sukhoi Su-34 strike aircraft, which will replace the aging Su-24, entered service. The current production plan calls for the first regiment of 24 Su-34 aircraft to be operational by 2010 and for an additional 36 to be in the inventory by 2015.⁷¹ Still, with almost 500 Su-24s in service, these Su-34 production levels will not allow for anywhere near complete replacement of the Su-24s.⁷² The Su-27 is being upgraded to the Su-27SM configuration. The reconfigured Su-27SM, with its multipurpose radar, will allow the pilot to better employ precision-guided bombs and air-to-surface missiles against ground targets. There are currently 40 Su-27SMs in the force; another 27 will be delivered by 2010.⁷³

The bomber force is also being modernized, with an emphasis on allowing these aircraft to perform conventional as well as nuclear mis-

⁶⁸ U.S. Air Force pilots fly more than 200 flight hours per year.

⁶⁹ Remizov et al., 2007, quoting former Russian Air Force Chief V. Mikhailov.

⁷⁰ "Russia: Air Force," 2006.

⁷¹ "Second Stage Trials Started for Su-34 Attack Aircraft," *Agentstvo Voyennoykh Novostey*, December 12, 2006.

⁷² Remizov et al., 2007.

⁷³ Alexey Komarov, "Russian Renewal: Modest Air Force Ambition Provides Route to Key Inventory Improvements," *Aviation Week and Space Technology*, January 29, 2007.

sions. Russia's 15 Tu-160s, Tu-22M3s, and Tu-95s are being upgraded to allow them to drop precision-guided weapons and to operate in all weather conditions. In 2005, a limited number of bombers began carrying conventional air-launched cruise missiles, a first for Russia.

Bomber Exercises

The bomber force has been actively involved in international and domestic exercises over the last three years. In 2005, two Tu-95SMs took part in a joint exercise with the Chinese military; during a 2006 exercise, Russia flew its bombers so close to the United States that the North American Aerospace Defense Command launched F-15s to intercept them.⁷⁴ In February 2008, after months of increased activity in the western Pacific (including near Alaska), Russian bombers came into close range of the USS *Nimitz* near Japan, again spurring an intercept.⁷⁵

These events are part of a general pattern in recent years of Russia using its bomber force to test the response time of NATO and U.S. air defense systems. This sort of activity was by no means unusual during the days of the Cold War, and was considered an expected consequence of U.S. and Soviet forces operating in close proximity in international waters and airspace. However, after the collapse of the Soviet Union, Russia's military aircraft did not perform such missions. These recent incidents signal to audiences within and beyond Russia that Russian strategic aviation is back, a point of considerable pride in Moscow. As noted above, Putin specifically praised the renewal of regular strategic aviation flights as a sign of progress in military rebuilding.⁷⁶

Force Size

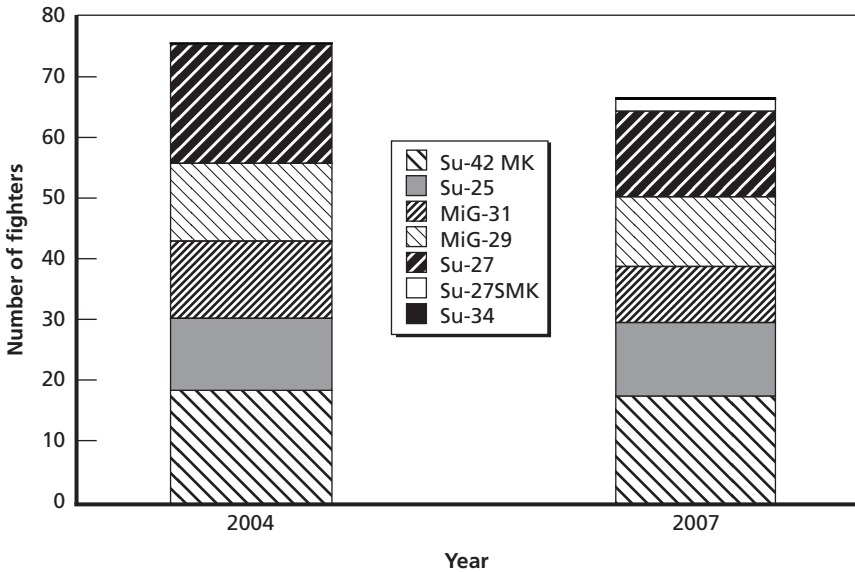
As can be seen in Figure 5.3, the size of the Russian fighter force is still declining despite these investments. It is likely to continue to do

⁷⁴ "NORAD Intercepts Russian Aircraft," NORAD news release, September 29, 2006.

⁷⁵ Barbara Starr, "Russian Bomber Buzzes U.S. Aircraft Carrier," CNN.com, February 12, 2008.

⁷⁶ "Vooruzhynniye Sili, Glavnaya Garantiya Bezopasnosti Rossii [Armed Forces, Main Guarantee of Russian Security]," 2007.

Figure 5.3
Russia's Fighter Force



RAND MG768-5.3

so for the foreseeable future. The bulk of the Russian force remains comprised of third-generation (e.g., Su-24 and Su-25) and fourth-generation (e.g., Su-27, MiG-31, and MiG-29) aircraft. Plans for a fifth-generation fighter to rival the F-22 have been discussed by Russian and Western analysts since the late 1980s.⁷⁷ India and Russia have reached an agreement to jointly develop a fifth-generation fighter, but the partners remain divided over the size and design of the new aircraft. It seems unlikely that a prototype will appear any time soon.

Goals and Capabilities

Recent Russian exercises indicate the government's desire to be able to employ the air force in low-intensity conflicts close to home. The air force's ability to take on such tasks was tested in Chechnya. In the Second Chechen War, the VVS was used to attack Chechen command

⁷⁷ Lambeth, 1999, pp. 145–156.

and control, military bases, and lines of communication. Its performance was much improved in comparison to its efforts during the First Chechen War, when air support to combat troops was inconsistent and often ineffective. Defense officials seem to have assessed as valuable the use of air power to strike deep into the enemy's territory to disrupt enemy operations and to undermine the enemy's will to fight. Today, Russia continues to lack a number of capabilities needed to carry out this mission as efficiently and effectively as possible. Russia lacks large numbers of precision-guided munitions, modern fire-control and damage-assessment systems, reconnaissance assets, and a significant number of all-weather/night-capable aircraft. However, the conflict in Georgia suggests that Russia has improved its close air support capabilities significantly, although problems remain.

Air Defense

Russia's air defense capacity (or lack thereof) is also consistently bemoaned by Russian analysts.⁷⁸ The S-400 system has been slow to deploy, and some analysts feel that current plans will not be sufficient to meet Russia's needs.⁷⁹ In a speech at the 2008 Academy of Military Sciences meeting, Air Force Chief Col Gen Alexandr Zelin stated that he felt that Russian airspace would be defenseless by 2020 due to improvements in foreign capabilities and a lack of concomitant improvement in Russian air defenses. Of course, worries about defenselessness assume an air threat from a capable foreign power of which there are comparatively few.⁸⁰

Strategic Nuclear Forces

Prestige and Security

The Russian government views its nuclear arsenal as both a source of global prestige and as the ultimate guarantor of Russia's security. One

⁷⁸ Porobov and Ulanskiy, 2007.

⁷⁹ Remizov et al., 2007.

⁸⁰ Litovkin, 2008a.

recent paper highly critical of Russia's current security policies declared that the nuclear arsenal is the only thing that makes it possible to view Russia as a great power today.⁸¹ An analyst more aligned with government views has recently written that Russia needs to maintain a nuclear deterrent capacity or risk damage not only to its geopolitical status, but also to its efforts to integrate into the global community, where force is playing a greater role, as an equal.⁸²

Official statements focus more on security than on prestige. On a number of occasions, Putin has noted the importance of Russia's nuclear forces for the country's security. In a March 30, 2006, address to members of the nuclear complex, for example, he said that an

analysis of the current international environment and the prospective trends of its development determine that Russia should consider nuclear deterrence as a cornerstone of its policy, to guarantee its national security and the safety of its nuclear weapon complex.⁸³

Later that year, then–Defense Minister Ivanov asserted that Russia “must have strategic weapons that would guarantee [its] security now and in twenty and in 40 years.”⁸⁴

First Use or No First Use

The ways in which nuclear weapons are thought to guarantee Russia's security have slowly evolved since the end of the Cold War. Unlike the United States, which has never rejected the possibility of using nuclear weapons first in a conflict (that is, prior to a nuclear strike by the other party), Soviet doctrine contained an explicit “no first use” pledge. Since developing its own military doctrine in 1993, Russia has not made

⁸¹ Remizov et al., 2007.

⁸² V. V. Korobushin, “Mesto i Rol' Strategicheskikh Yadernikh Vooruzheniy v Voennoy Doktrine Rosii [Place and Role of Strategic Nuclear Weapons in Russia's Military Doctrine],” *Voyennaya Mysl*, No. 4, April 2007, pp. 2–5.

⁸³ Isakova, 2006.

⁸⁴ Korobushin, 2007.

any such promise. The 1993 doctrine allowed first-strike use of nuclear weapons in the face of large-scale conflict when the sovereignty and existence of Russia was at stake, although it also reiterated Russia's Nuclear Non-Proliferation Treaty pledge not to use nuclear weapons against a non-nuclear weapon state (unless that state is cooperating with a nuclear weapon state to attack Russia). Russia's 2000 doctrine went even further, explicitly stating that Russia reserves the right to respond with nuclear weapons "to large-scale aggression by conventional weapons in situations deemed critical to the national security of the Russian Federation."⁸⁵ An early 2008 statement by Russian General Staff Chief Baluyevsky reiterated this position, noting that the world should be aware that Russia will not shirk from using any of its capabilities, including nuclear weapons, to defend its sovereignty and territorial integrity and those of its allies. Although Baluyevsky claimed that he was simply referring to existing doctrine, the statement got considerable attention.⁸⁶

The explicit statement of a willingness to use nuclear weapons first, even in response to a conventional attack, indicates three things. The first is that Russia, like the United States, does not want to exclude the use of any means of national power in a conflict. The second is that Russia hopes that its strategic forces can be a deterrent not just against nuclear attack, but also against conventional attack. The third is that Russian planners are able to imagine scenarios in which Russian conventional forces seem insufficient to repel or defeat an enemy conventional force quickly or effectively enough, and nuclear weapons must be used.

Deterrence and Missile Defense

Given Russia's current threat environment, scenarios requiring nuclear use against purely conventional adversaries are unlikely. Moreover, Rus-

⁸⁵ For analysis of Russia's nuclear doctrine over time, see Nikolai Sokov, "Russia's 2000 Military Doctrine," Monterey Institute Center for Nonproliferation Studies, July 2004 revision. Russia's 2000 doctrine can be found in Security Council of the Russian Federation, "Military Doctrine of the Russian Federation: Approved by Order of the President of the Russian Federation on April 21, 2000, Order No. 706," Web page, undated.

⁸⁶ Litovkin, 2008a.

sia's nuclear forces are not designed for smaller-scale conflict. Russia's arsenal, like that of the United States, remains geared to what is viewed as the greatest threat—its old Cold War enemy. The force structure reflects requirements to deter a first strike by the other actor by maintaining sufficient second-strike capability to inflict equal or greater damage on the aggressor. Because the United States pulled out of the ABM Treaty and has continued to develop a national missile defense (NMD) system, Russian officials have indicated that their definition of what is needed to deter aggression also includes the capability to “defeat any ballistic missile defense system.”⁸⁷ Analysts in both countries and some Russian government officials believe that an effective U.S. missile defense capability would severely degrade Russia's second-strike capacity and thus weaken Russian deterrence. They argue that if everything works as designed, the combination of the United States' highly accurate nuclear forces and its impressive precision conventional weapons could knock out 90 percent of Russia's strategic arsenal in an offensive strike. The remaining 10 percent could, according to these analysts, be small enough that NMD could destroy Russian forces before they reach their targets. Even if NMD is not fully effective, it could certainly threaten Russia's capacity to inflict equal or greater damage in a second strike.⁸⁸

Some might say that this prospective U.S. NMD capability does not matter. As Russian officials consistently note, nuclear war between the two countries is unthinkable, the two countries are both fulfilling their arms control commitments, and Russia and NATO have developed a cooperative relationship. There is even some cooperation

⁸⁷ Alexi Arbatov and Vladimir Dvorkin, *Beyond Nuclear Deterrence: Transforming the U.S.-Russian Equation*, Washington, D.C.: Carnegie Endowment for International Peace, 2006, p. 25.

⁸⁸ For a discussion of the Russian military's objection to the system and the Clinton administration's response to their concerns, see, for example, Strobe Talbott, *The Russia Hand: A Memoir of Presidential Diplomacy*, New York: Random House, 2002, pp. 384–385. Also see Keir A. Lieber and Daryl G. Press, “The Rise of U.S. Nuclear Primacy,” *Foreign Affairs*, Vol. 85, No. 2, March–April 2006b. For Lieber and Press's expanded argument, see Keir A. Lieber and Daryl G. Press, “The End of MAD: The Nuclear Dimension of U.S. Primacy,” *International Security*, Vol. 30, No. 4, Spring 2006a, pp. 7–44.

on missile defense technology.⁸⁹ According to a number of analysts in both countries, deterrence has served its Cold War purpose, and it is time to move beyond it.⁹⁰

Other Russian analysts, government and otherwise, who write on nuclear issues feel that deterrence remains relevant, and that U.S. missile defense plans are destabilizing. They point out that the United States is continuing to develop its own nuclear force structure in ways that threaten Russia. Missile defense is only one component of the United States' hostile policies, marking a shift away from parity and toward destabilizing supremacy. They note that the U.S. nuclear force is still designed to attack Russia.⁹¹ Washington's insistence on maintaining nuclear weapons in Europe, its failure to ratify the Comprehensive Nuclear-Test-Ban Treaty, its indifference to arms control, and its investigation into the development of smaller-yield nuclear weapons (which could lower the threshold for nuclear use globally) are all deemed hostile.⁹² Although many of these issues are long-standing, the nuclear policies of President George W. Bush's administration were considered particularly dangerous.⁹³ Then–National Nuclear Security Administrator Linton Brooks' 2005 comments about the United States maintaining a warhead stockpile even as deployed warheads drop to levels specified in the Treaty Between the United States of America and the Russian Federation on Strategic Offensive Reductions (i.e., the Moscow Treaty, also known as "SORT") are seen in this light.⁹⁴

⁸⁹ Baluyevskiy, 2007.

⁹⁰ Three examples of various approaches are found in Ashton B. Carter and William J. Perry, *Preventive Defense: A New Strategy for America*, Washington, D.C.: Brookings Institution Press, 1999; Federation of American Scientists, *Missions for Nuclear Weapons After the Cold War*, FAS Occasional Paper No. 3, January 28, 2005; and Arbatov and Dvorkin, 2006.

⁹¹ "Kakoy Bit' Voennoy Doktriny Rossii [What Russian Military Doctrine Should Be,] 2007.

⁹² Ivanov, 2004; Korobushin, 2007.

⁹³ Zolotarev, 2007.

⁹⁴ Aleksei Lyashchenko, "Voyenno-Politicheskoye Obozreniye: Reanimatsiya Gonki Yadernikh Vooruzheniy [Political-Military Analysis: Reanimation of the Nuclear Arms Race]," *Krasnaya Zvezda*, August 18, 2005.

If the structure of Russia's nuclear arsenal is in principle geared to deter the United States, it is not clear to Russian analysts that it is capable of achieving this goal. Some analysts argue that Russia currently lacks both a second-strike capability and a launch-on-warning capability sufficient to inflict equal or greater damage. Russia's aging arsenal and limited early warning systems are the problem.⁹⁵ Russia's concern about relative parity was highlighted in the country's response to a 2006 *Foreign Affairs* article by U.S.-based analysts Kier Lieber and Daryl Press. Lieber and Press asserted that the combination of a U.S. preventive nuclear strike and NMD could destroy Russia's ability to retaliate against an attack by the United States.⁹⁶ The authors' calculations were based on what they themselves said was a highly unlikely "bolt from the blue" surprise attack that in no way reflected U.S. policy or planning. The article's scenario, assumptions, and conclusions were heavily criticized by U.S. and Russian officials and security analysts. However, the article generated a great deal of attention in Russia because it exemplified some very real concerns about the future of the Russian deterrent.

Policy Choices and Weapon Development

Russian worry about deterrence and parity has been sporadically reflected in policy. The Russian government's nuclear forces maintenance and modernization program has been somewhat fitful in its implementation. Moscow raised and lowered the level of attention paid and resources allocated to the strategic arsenal throughout the Yeltsin and Putin presidencies.⁹⁷ In recent years, strategic forces have received verbal and funding support from the leadership.⁹⁸ In 2004, Russian officials announced the development of new strategic systems with gliding and maneuvering warheads that, according to Russian officials,

⁹⁵ Arbatov and Dvorkin, 2006, p. 24; Korobushin, 2007.

⁹⁶ Lieber and Press, 2006a and 2006b.

⁹⁷ For a discussion of the history through 2001, see Olikier and Charlick-Paley, 2002, especially pp. 75–79.

⁹⁸ Henry Ivanov, "Country Briefing: Russia-Austere Deterrence," *Jane's Defence Weekly*, May 3, 2006.

will be able to penetrate U.S. missile defenses.⁹⁹ Russia is investing in all three legs of its nuclear triad: land-based intercontinental ballistic missiles (ICBMs), submarine-launched ballistic missiles, and nuclear-capable bombers. The majority of funds is going to the development and deployment of the ground-based Topol-M (SS-27) missile and the sea-launched Bulava-30 (SS-NX-30) missile. Some argue that these expenditures have come at the expense of Russia's conventional forces. In 2005, for example, the total number of T-90 main battle tanks due to be delivered to the army was reduced from 91 to 19. One analyst argues that this was done in response to a cost overrun in the Topol/Bulava missile program.¹⁰⁰

The Bulava missile will be carried by the new Project 955 strategic submarine. The first Project 955, the Yuri Dolgorukiy, was launched on April 15, 2007, and is scheduled to join the fleet in 2008. According to its 2007–2015 armament program, Russia will build a total of eight of these ballistic-missile submarines. There are reasons to doubt Russia's ability to meet this target. Current rates of acquisition suggest that Russia will be unable to build more than five Project 955 boats by 2015. Meanwhile, the Bulava missile demonstrated some problems during testing, having failed a series of flight tests in 2006. It is not clear whether these failures indicate an underlying technical problem or are simply the normal difficulties associated with building a complex weapon system. Publicly, Russian officials remain extremely upbeat and say that whatever problems the missile now faces, it will be operational by the end of 2008.

Russia's other major nuclear modernization program is the acquisition of the Topol-M silo-based and mobile ICBMs. Since the missile's introduction in the late 1990s, Russia has been deploying an average of about half a dozen missiles per year (with some years seeing no deployment). If production rates remain this low, this, combined with the approaching retirement of the SS-18 and SS-19 systems, means that by approximately 2015–2020, Russia is likely to have only around 150 ICBMs (a fairly even mix of silo-based and road-mobile forces). Even if

⁹⁹ Arbatov and Dvorkin, 2006, p. 25.

¹⁰⁰ Arbatov and Dvorkin, 2006, p. 25.

production ramps up, as Russian officials say they will, rates are likely to stay below 15 missiles annually absent a major shift in resourcing. To increase the size of this nuclear force, Russia may configure the Topol M to have up to six multiple independently targetable reentry vehicles (MIRVs). Although this option has been discussed, it would violate current arms control treaties that prohibit multiple warheads on existing land-based missiles.¹⁰¹ One way Russia may be seeking to finesse this problem is through the deployment of the RS-24 missile tested in May 2007, which uses the Bulava guidance system and single-warhead type, but which is fundamentally, beneath these modifications, the Topol M missile.¹⁰²

MIRV configurations would enable Russia, which had deployed approximately 3,500 warheads by the summer of 2006, to maintain a nuclear force of 1,500–2,000 nuclear warheads even after the SS-18s and SS-19s are gone.¹⁰³ This level would correspond to the treaty limits established in the May 2002 Moscow Treaty, which limits both sides to 1,700–2,200 deployed warheads. It would also allow Russia to remain a leading nuclear power. The goal appears to be motivated less by tactical or strategic need and more by a desire for, if not full parity, at least a shared status with the United States as one of the two preeminent nuclear superpowers.¹⁰⁴

¹⁰¹ See Anatoli Diakov and Eugene Miasnikov, "ReSTART: The Need for a New U.S.-Russian Strategic Arms Agreement," *Arms Control Today*, Vol. 36, September 2006; and Anatoli Diakov, Eugene Miasnikov, and Nikolai N. Sokov, *Protzess Sokrashcheniya Yadernikh Vooruzheniy i Kontrol' Nad Nimi v Rossiisko-Amerikanskikh Otnosheniyakh: Sostoyaniye i Perspektivi [Nuclear Arms Reductions and Arms Control in U.S.-Russian Bilateral Relations: Current Status and Future]*, Center for Arms Control, Energy, and Environmental Studies of the Moscow Institute of Physics and Technology, December 27, 2006. Another useful discussion is found in Stephen J. Cimbala, "Russia's Strategic Nuclear Deterrent: Realistic or Uncertain?" *Comparative Strategy*, Vol. 26, No. 3, May 1, 2007, pp. 185–203.

¹⁰² For a detailed discussion of this issue and relevant treaty concerns, see Paul Podvig, "Russian Strategic Nuclear Forces," Web page, undated.

¹⁰³ Cimbala, 2007.

¹⁰⁴ See Diakov and Miasnikov, 2006; Diakov, Miasnikov, and Sokov, 2006; Cimbala, 2007; Podvig, undated.

Arms Control

In June 2006, Putin proposed the initiation of talks with the United States on replacing START, which is due to expire in 2009. Although START was followed by the Moscow Treaty in 2002, the Russian and U.S. governments agreed to use the inspection mechanisms of START to verify that each side was fulfilling its treaty obligations. If START is not renegotiated or extended, there will be no formal verification system to determine the size and capabilities of U.S. and Russian strategic systems. Compliance will be, effectively, a matter of “trust, but don’t verify.”

Any Russians with a professional interest in these issues, including government leaders, want to maintain the verification regime. The Russian government has strong incentives to engage in arms control talks with the United States. First, prestige is inherent in the agreement process itself: Arms control discussions and agreements underline the status of Russia as one of the world’s two preeminent nuclear powers. Strategic forces are perhaps the only area in international relations where Russia is almost an equal of the United States and is the superior of other powers (such as China, India, the United Kingdom, and France). Arms control talks are an opportunity for Russia to emphasize this status and Russia’s responsible handling of it.

Second, Russia’s ability to maintain a status of relative equality with the United States depends on locking the United States into further nuclear reductions. As noted, Russian forces are declining in numbers, and will likely continue to do so, even with modernization and MIRV configurations.

Third, Russia is also concerned about U.S. missile defense plans and prospects, U.S. nuclear force capability, and Russia’s capacity to overcome those to maintain a deterrent. Even though the threat of nuclear war between the two states is seen as extremely unlikely, Russian force planners are understandably uncomfortable with the idea that their forces cannot carry out their fundamental mission, theoretical though it may be. Russians who fear that the country has lost its deterrence capacity see in arms control a means to get it back.

Even though Russia does not expect a nuclear war with the United States, the maintenance of both nuclear arsenals creates an

imperative on both sides to plan for the possibility of nuclear exchange. Indeed, the principles of deterrence hold that a country maintains arsenals and plans for their use precisely in order to avoid nuclear war.¹⁰⁵ Thus, Russia, with its shrinking arsenal, sees a critical national security requirement to ensure that its forces are a credible deterrent to the use of U.S. forces. Negotiated arms cuts can help Russia achieve these goals without engaging in an expensive arms race.

In Russia's ideal world, a new, verifiable, arms control treaty would keep Russian nuclear forces roughly at parity with U.S. forces (possibly at significantly lower levels) while at the same time ensuring that the level of Russian forces remains substantially larger than that of any other nation. Specifically, Russia would like a treaty that allows it to apply a MIRV configuration to its Topol-M missiles (or that allows it to deploy the Bulava as a land-based ICBM system). It would also like to ensure that the United States cannot put nuclear warheads back on weapons converted to a conventional role without notification. Russia would welcome improved and easier mechanisms for counting warheads on systems, and it may seek to renegotiate limitations on the movements of mobile systems.¹⁰⁶

European Missile Shields

This is the context for the 2007 Russo-U.S. war of words over U.S. plans to deploy radars and missile defenses in Europe as part of the U.S. global missile shield. According to U.S. officials, these potential deployments in Poland and the Czech Republic are designed to track launches from the Middle East and to provide a better opportunity to shoot down a missile launch from Iran. Russian officials and analysts, however, estimate that the Iranian long-range missile threat is at least 15 years off and therefore argue that the system's real target is Russia's nuclear deterrent. (Even if this is not the target, some say, the

¹⁰⁵ See Cimbala, 2007. One can question how rational it is to plan for the unthinkable so as to avoid it, but such planning is unquestionably in line with the historical experience.

¹⁰⁶ See Diakov and Miasnikov, 2006; Nikolai Sokov, "Letter to the Editor: A Fresh START," *Arms Control Today*, October, 2006; and Diakov, Miasnikov, and Sokov, 2006.

system weakens Russia's deterrent nonetheless.)¹⁰⁷ U.S. officials have responded that the modest number of U.S. interceptors proposed (ten in Europe) could in no way change the strategic balance between the United States and Russia.

Some Russian analysts and officials doubt that the system will be constructed as the United States described. They are concerned that it might grow larger than the United States has promised, particularly when it is combined with NATO systems. Fundamentally, the idea that the U.S. would develop an NMD system that is *not* focused on the Russian arsenal quite simply strains belief among many in the Russian government and in Russian analytical circles. Moreover, Russian officials and analysts point out that Russia cannot trust the United States to keep its word, given its past behavior (e.g., its abrogation of the ABM Treaty, its development of missile defense, its invasion of Iraq, and its quest for NATO enlargement).¹⁰⁸ Thus, the missile defense issue has taken on significant symbolism in addition to its substantive importance: It has become an emblem of U.S. opposition to Russian interests and security.

Russian officials thus responded to the U.S. announcement of the deployment of interceptors in Poland and a radar in the Czech Republic as though the plans were a clear and deliberate provocation on the part of the United States. Although Russia was briefed on U.S. plans, as were other states, Russian analysts and decisionmakers felt both snubbed and antagonized because they were simply informed of the decision after it had been made: Russia was neither consulted nor asked for its input in advance. This lent further fodder to the perception that the system is directed at weakening Russia's deterrent capability. General Forces Chief Baluyevskiy described the plans as a shift in U.S. deployments in Europe from the tactical to the strategic. Meanwhile, the commander of Russia's Strategic Rocket Forces stated that his mis-

¹⁰⁷Wade Boese, "U.S., Russia Swap Arms Ideas," *Arms Control Today*, November 2007; and Baluyevskiy, 2007.

¹⁰⁸Baluyevskiy, 2007; and author discussions with Russian and Russia-based specialists and analysts, Moscow, November 2006 and June 2007.

siles could target U.S. missile defense installations in Poland and the Czech Republic.¹⁰⁹

This tension, which escalated in the winter and spring of 2007, was somewhat alleviated in July 2007 when the president of each country agreed to pursue high-level talks on a series of arms control issues. At that meeting, Putin offered to allow the United States joint use of a Russian early warning radar at a radar base in Gabala, Azerbaijan. According to Putin, this radar site would cover all of Europe and thus eliminate the need for "offensive complexes along [Russia's] border."¹¹⁰ Technical experts are divided over the utility of Putin's offer. Some, such as Theodore Postol, say that the Gabala radar is complementary to the American missile defense system and would assist in quickly determining whether a missile from Iran had been launched.¹¹¹ Others say it is an alluring but ultimately impractical proposal. One reason is that the U.S. system was not designed with Russian participation in mind. Thus, in order to incorporate the Gabala radar, the system as a whole would have to be redesigned.¹¹² In April 2008, Presidents Bush and Putin met in Sochi for further consultations.

In the meantime, the United States has said that it will go forward with the Europe-based systems. More-recent discussions, including those at Sochi, have focused on the possibility of some sort of Russian presence at the Czech and Polish sites. Limits of various sorts on the U.S. systems were also discussed.¹¹³ With the new president having taken office in January 2009, this policy may yet be rethought. If the United States does pursue these systems, Russian officials have indicated that they might withdraw from the Intermediate-Range Nuclear

¹⁰⁹Baluyevskiy, 2007; and Pavel Podig, "Missile Defense: The Russian Reaction," *The Bulletin Online*, February 26, 2007.

¹¹⁰Vladimir Frolov, "Russia Profile Weekly Expert Panel," *Russia Profile*, June 15, 2007 (quoting President Putin's statement on June 7, 2007).

¹¹¹Theodore Postol, "A Ring Around Iran," *New York Times*, July 11, 2007.

¹¹²Alexander Khramchikhin, "Gabala: An Alluring but Impractical Offer," RIA Novosti, June 7, 2007.

¹¹³Wade Boese, "Bush, Putin Leave Arms Disputes Unsettled," *Arms Control Today*, May 2008.

Force Treaty (INF). Withdrawing from the INF would not be a direct response to U.S. missile defense policies, but it would be another step toward Russian security goals. The withdrawal could enhance Russia's perceived security and the country's prestige, accomplishing the latter by underlining that Russia, just like the United States, retains the right to withdraw from agreements it no longer considers useful. Withdrawing from the treaty would allow Russia to deploy medium-range land-based missiles that, given Russia's geographic position and technical capabilities, might make a great deal of sense. Medium-range missiles would allow Russia to target states such as North Korea, Iran, and China more easily. However, withdrawal from the INF would have to be weighed against the likely negative impact on Russian relations with Europe, which could be severe, and against the possible damage this rupture could do to prospects for START renegotiation or renewal.¹¹⁴ The Russians would probably greatly prefer to renegotiate the INF than to withdraw from it.

¹¹⁴ Author discussions with Russian and Russia-based specialists and analysts, Moscow, June 2007.

Today's Russia: Implications for the United States

A Difficult Partner

The United States' relationship with the Russian Federation will continue to be complex, multifaceted, and not infrequently confrontational over the next decade. Although Russia and the United States share some interests in the foreign policy realm, their priorities are poorly aligned. Areas where the United States seeks Russian cooperation—such as combating transnational threats and efforts to halt the nuclear weapons programs of North Korea and Iran—are lower, though still important, priorities for Russia. Russian goals of building influence and respect globally and in its neighborhood are met with resistance from the United States, which also consistently criticizes Russia's domestic political system.

The United States has little reason to expect any near-term movement toward a more democratic (by Western standards) Russia. Putin has centralized government power and co-opted the mass media, creating a government that is less and less accountable to the Russian public. In spite of this, and because his two terms as president also saw tremendously increased prosperity at home and increasing Russian influence abroad, Putin has built and cemented substantial public support for "Putin's plan" among the Russian people. President Medvedev is unlikely to overturn these measures any time soon. That said, if Medvedev eventually moves to consolidate power, his efforts may precipitate divisions in the administration that could lead to instability at the top.

The leadership group that surrounds Putin and helped put Medvedev in the president's office has explicitly rejected a number of Western democratic norms. They see freedoms of speech, the press, and assembly—to say nothing of political opposition—as some of the major contributors to the weakness and division of Russia in the 1990s. This group of leaders views U.S. efforts to promote democratic norms as cynical, hypocritical, and motivated by the U.S. drive to remain the dominant global power. U.S. efforts to spread values of freedom and democracy in Russia and its neighboring countries are seen as nefarious efforts to reduce Russia's influence, impinge on Russian sovereignty, and weaken and destabilize Russia's own successful political system.

In time, the Russian public, Russian leaders, or both may push for more pluralism and democracy. Other countries may wish to support such changes. But a more pluralistic polity will not emerge without a strong Russian movement for change. In the near term, if the United States wishes to accomplish a number of critical foreign policy goals, it will have to find ways to work with the complicated and difficult Russia that exists today.

There is room to do this, provided that expectations are kept realistic and U.S. policymakers are willing to take the lead. Russia is no longer an adversary. It does not pose a military threat to the United States except in the most theoretical of terms. Likewise, the United States does not pose a military threat to Russia. Russia's prestige-seeking foreign policy does not threaten U.S. vital interests in most parts of the world, although it is at odds in some instances with U.S. preferences. Russia seeks to engage other states, not to isolate itself. Even Russia's anti-American rhetoric, which was softened during the first months of the Medvedev administration, often seems more like an attempt to prove that Russia is a strong, independent state rather than an attack on specific U.S. foreign policy goals.

The fact that both Russia and the United States now have new presidents at the helm creates opportunities for improved relations. As these new chief executives seek to make their mark, redefining Russo-U.S. relations could be a fruitful endeavor. Improving relations with Russia is very much in U.S. interests. Improving relations with the United States is in Russia's interests as well. But progress will require

an active effort to find ways to improve cooperation between the two states and manage areas of disagreement.

The Costs of Discord: Why a Better Relationship Is in U.S. Interests

The downward trajectory of Russo-U.S. relations during Putin's second term was driven by divergent interests and by each country's failure to understand that policy differences are not always motivated by hostility. Elites in the two countries viewed actions by the other as expressly designed to thwart their own policies. These perceptions fed antagonism. Moreover, due to a decline in global popular opinion of the United States and a Russian tendency to ascribe Russia's past and present problems to U.S. policy, Russian politicians have had much to gain, at home and abroad, from criticizing the United States. U.S. politicians, meanwhile, have seen similar (though less-pronounced) opportunities for reaping political benefit from critiquing Russia's domestic and foreign policies. In the aftermath of the August 2008 Russo-Georgian conflict, for example, it was hard to find any prominent U.S. officials or politicians who did not place most of the blame for the crisis on Russia. (German Chancellor Merkel, in contrast, stated that blame should likely be shared between Georgia and Russia.)

The crisis in Georgia also starkly illustrated how little leverage and influence the United States has over Russian policy decisions, particularly those related to Russia's national priorities. Just as Russian opinions had little effect on the United States during the run-up to Operation Iraqi Freedom in 2003, Russia brushed off U.S. and European critiques and complaints as its forces entered indisputably Georgian territory even after the Georgians agreed to retreat from South Ossetia.

This experience indicates that although Russia finds good relations with the United States helpful, it is willing to risk the relationship to advance its broader goals. From the U.S. perspective, worsening relations with Russia have significant negative implications for the United States. First, the loss of Russian cooperation on the transnational-

threats agenda would be costly. Russia's porous borders and weak legal system have made it a center of organized crime. Violence and underdevelopment in the North Caucasus are a rallying point for radical ideologies. Russian WMD materials and technologies, as well as those in neighboring states, continue to present proliferation worries. When Russia fails to cooperate in countering and mitigating these threats, Europe and the United States are at increased risk.

Russia can be an effective partner for the United States. It has collaborated with the United States to remove fissile materials from post-Soviet states, and Russian law enforcement agencies have worked closely with U.S. counterparts to combat transnational organized crime. Russia helped the United States by offering logistics support and overflight permission during Operation Enduring Freedom, particularly during the early stages of the campaign and has agreed to allow transit of its territory and airspace to supply U.S. and NATO forces in Afghanistan. Indeed, Russia coordinated aspects of Afghanistan policy with the United States even before the 2001 terrorist attacks.¹ However, many of these efforts were isolated initiatives focused on individual and clearly identified near-term goals. The potential for broader cooperation remains underdeveloped.

Russia has also often been a partner of the United States in international efforts to persuade North Korea and Iran to abandon their nuclear weapons programs. Even if some of its goals and approaches have differed from those of the United States, Russia and its involvement have been useful to the overall projects. If Russia no longer worked to end nuclear weapons programs in Iran and North Korea, the United States and its allies would be the losers. A reversal of Russian policy toward proliferation in Iran and Korea would signal these and other countries that, as far as the Russian government is concerned, nuclear weapon programs can be developed with impunity.

If it chose to do so, Russia could also act as a spoiler in a number of U.S. efforts. A truly hostile Russia would exacerbate U.S. relations with

¹ Ben Barber, "U.S.-Russia Anti-Terror Panel Meets in Annapolis," *Washington Times*, July 27, 2002; and Ekaterina Stepanova, "U.S.-Russia Cooperation on Afghanistan: An Exception or a Model?" *PONARS Policy Memo*, No. 201, September 2001.

Europe, which has many reasons to maintain good ties with Moscow regardless of Washington's desires. Asian states that have expanded trade with Russia might try to disassociate themselves from any sharp break between the White House and the Kremlin to avoid taking sides, but relations with the U.S. could be strained as a result. In the Middle East, where many peoples and governments have strong but ambivalent feelings toward both countries, Russia might come to be seen again as an alternative security partner to the United States. Such developments would damage the United States' ability to effectively shape and influence policies and events around the world.

A more hostile relationship between the United States and Russia would lead Moscow to exert even more pressure on the states of its "Near Abroad" to eschew friendship with Washington. U.S. efforts to strengthen its relationships with these countries and promote political reform would be severely hampered, and the countries themselves might face a variety of pressures from Russia, including, as the Georgian conflict demonstrated, real security threats. The U.S. would then face a choice between offering these states security commitments and thereby risking war with Russia, or losing its influence and involvement in that part of the world. Either outcome would also make a number of the United States' European allies feel increasingly less secure.

Finally, a severe breakdown in the Russo-U.S. relationship would also bode ill for U.S. efforts to positively influence Russian domestic politics. Not only would U.S. criticisms fall on even-deaf ears, but the United States could even lose what little leverage it does have when it comes to protecting individual political prisoners and pushing for improvements in human rights within Russia. If Russia becomes even more autocratic, dictatorships elsewhere in the world—and in the region—are likely to see the Russian "model" of resisting interference in domestic politics and countering U.S. foreign policy goals as feasible and effective.

The full costs of a much worse relationship would not be felt immediately. If Russia builds ties to states that are hostile to the United States, and if it actively counters U.S. foreign policies, the costs will likely rise incrementally, in different places at different times, rather than being evident all at once. Over time, however, they would take a substantial toll on U.S. abilities to advance its goals and interests.

The costs of poor relations are likely to be concentrated in the foreign policy realm, as far as the United States is concerned. If Russian military reform is successful, Russia's armed forces will be much smaller than in the past (though also more capable). They will be better-suited to fighting small, local wars than large-scale conflicts. In the aftermath of the August 2008 conflict in Georgia, just such a small war, it has become easier to envision scenarios in which the United States and Russia deploy opposing forces. The most plausible of these scenarios is one in which unrest in one of Russia's neighboring states escalates and eventually involves the two countries. However, as the Georgia crisis showed, neither state is eager to be in a situation of this sort. Generally speaking, in most of the conceivable scenarios involving such conflict near Russia's borders, both Moscow and Washington would have far more to gain from cooperating to mitigate the damage than from clashing over it. That said, if sufficient hostility accumulates, cooperation may be nearly impossible.

Implications of Russian Arms Sales for U.S. Policy

If Russia and the United States are unlikely to come to blows, how likely are U.S. forces to face Russian weaponry wielded by others? Russian arms sales to Iran and Syria have improved the air defense capabilities of these two countries, which the United States sees as adversaries. Tehran's purchases of anti-air missiles from Moscow have greatly improved Iran's capabilities. Russian arms sales to Venezuela have also grown substantially in recent years, encompassing helicopters, small arms, and fighter aircraft. Venezuela, too, hopes to purchase air defense systems in the future.

Russia's two biggest customers, however, are India and China. Although armed conflict between the United States and India is unlikely, Russian arms sales have helped shift the balance of power between India and Pakistan in India's favor. This has caused some concern among U.S. policymakers who have sought to cap a potentially destabilizing arms race in Southeast Asia. In light of U.S. efforts to

improve relations with India, however, it is possible that the United States will become less concerned about Russian arms sales to India.

Of much greater concern to U.S. policymakers are Russian arms sales to China. Although Russia has its own long-term security concerns about the rise of China, over the past several years, Russia's government has sold China some fairly impressive equipment. China's current central security concern is a conflict with Taiwan that might involve the United States. Russian weapon systems have improved China's ability to counter U.S. strengths in such a scenario. Russian-developed air defense systems have helped China build an "anti-access" shield in the vicinity of the Taiwan Strait. In a conflict, the Kilo-class diesel submarines China purchased from Russia could be used to blockade Taiwan.

U.S. forces are also likely to continue to face AK-47s in conflicts and operations around the world, although Russian exports of the weapon will play little or no role in this. Small arms and light weapons make up a tiny percentage of Russia's total arms exports, constituting just 2 percent of the total in 2002.² There also has been a vast downsizing of the small-arms industry since the fall of the Soviet Union, with many former companies consolidating or moving into the production of civilian goods to survive. Russia's small arms sales are by no means fully transparent, but the Russian government reports its sales to the OSCE and does have a complex set of arms-export licensing procedures, so there is no reason to question these data.

One reason that Russian small arms are available in such vast quantities is that the design for these weapons was licensed to a large number of countries during the Soviet era. These transfers were not well documented, but they were plentiful. For instance, the AK-47 is produced or has been produced in 13 countries, including North Korea, China, Cuba, Egypt, and Hungary.³ It is likely that legal and illegal weapons sales from these countries—not Russian exports—

² Maxim Pyadushkin, "Beyond the Kalashnikov: Small Arms Production, Exports, and Stockpiles in the Russian Federation," Small Arms Survey, Occasional Paper No. 10, August 2003.

³ Pyadushkin, 2003, p. 17.

constitute the vast number of Soviet-designed weapons in conflicts in the developing world. That said, the recent agreement between Venezuela and Russia to build AK-47 factories in Venezuela suggests strongly that Russia is not out of the small-arms business quite yet.

Moreover, the recent boost in Russian arms sales to Venezuela also comes at a time of increasingly tense relations between Washington and Caracas. The United States prohibited U.S. firms from making future arms sales to Venezuela in May 2006. U.S. and regional officials fear that Venezuelan leader Hugo Chavez is seeking to foment revolution throughout Latin America and that he will use his new Russian-made arsenal for this purpose. Chavez's first target could be Colombia, where Venezuelan-made AK-47s might end up in the hands of the Colombian rebel groups such as the Revolutionary Armed Forces of Colombia and the National Liberation Army.

Strategies for Fostering Cooperation for the U.S. Government and the U.S. Air Force

If the United States seeks to improve relations with Russia, what steps can it take? A genuine reevaluation of approaches would require U.S. foreign policymakers to first clearly articulate U.S. interests in regard to Russia. They should then overlay their understanding of Russian perspectives on these issues. Then, they should consider Russian views on other issues that involve the United States. By determining where interests overlap on contentious issues (such as transnational threats, Russia's neighbors, and Iranian proliferation), U.S. policymakers would be better positioned to find creative solutions.

We lay out some components of an approach to improving relations below, focusing both on general U.S. policy and on specific U.S. Air Force roles within that policy. Although the U.S. Air Force does not define U.S. diplomatic policy, it has an important role to play in Russo-U.S. military-to-military relations, in U.S. relations with Russia's neighbors, in arms control, and in a range of other cooperative activities. In short, the U.S. Air Force is an important player in setting the overall tone of the relationship.

Transnational Threats

Current U.S. priorities for cooperation with Russia—i.e., terrorism and other transnational threats—are of concern to Russia, too, but are of less importance. Cooperation on nonproliferation, counterterrorism, and counternarcotics, while of interest, is seen in Russia as more of a favor to the United States than a matter of equal foreign policy interest. Russia foreign policymakers do appreciate the prestige to be gained from cooperating with U.S. agencies.

U.S. policymakers should continue to **underline the advantages Russia derives from cooperating on the transnational threats agenda**, including the contribution such cooperation makes to international perceptions of the Russian Federation as a responsible and important actor on globally important issues. U.S. policy should also **cast cooperation in light of its direct benefits for Russia** and Russian safety and security. The U.S. Air Force, which is already engaged in aspects of counterterror cooperation with Russia, can play a role in further developing these ties.

Russia's Neighbors

It is not in Washington's interests to "compete" with Moscow for the allegiance of the states near Russia's borders. Russian efforts to create a sphere of influence in the "Near Abroad" while the United States attempts to build its own relationships in Russia's neighborhood have already generated hostility, which led to violent conflict in Georgia. Because Russian policymakers suggest that border states' efforts to align more closely with the West are an affront and a security threat to Russia, some neighboring states may see themselves as facing a choice between good relations with Moscow or good relations with Washington and NATO. If they choose the latter, they will want some protection from Russia's wrath. However, the United States is not in a position to offer, and derives no real benefits from offering, security guarantees to these countries. Even with a U.S. security guarantee, these countries could not be fully certain that the United States would be able to protect them, particularly in light of Georgia's recent experience.

The security of the states on Russia's periphery would be best assured through good ties with both the United States and Russia,

as well as expanded relations with European, Asian, and other partners. This is not impossible: Some states, notably Armenia, Azerbaijan, Kazakhstan, Tajikistan, and Kyrgyzstan, have found ways to maintain amicable relations with both Russia and the United States by refusing to accept an either/or proposition.

Russia and the United States do share some policy goals for these countries: stability, security, and economic development. Weak, unstable states on Russia's periphery benefit no one. U.S. efforts to cooperate with Russia in its neighborhood have generally not been successful because Russia feels that they undermine its own influence. However, the more Russia is involved in such efforts, particularly in planning processes and consultations, the more likely it is that these fears can be mitigated. Efforts to **engage Russia as the United States develops its policies in Central Asia and the Caucasus** could help improve Washington's relations with Moscow—and temper Russia's concerns about U.S. intentions. The new U.S. administration will likely reexamine its relations with these neighbor states, which have been rocky in many cases, and be open with their leaders about U.S. interests and commitments. Open discussions with Moscow, too, regarding Washington's goals in the region could help ameliorate tension and improve U.S. understanding of (and potentially even influence over) Russia's own approaches.

Better relations with Moscow in regard to its neighbors would facilitate the attainment of some of Washington's other needs and goals. One example is access to and support for current and future U.S. military operations. U.S. military (including U.S. Air Force) planners cannot assume that "friendly" countries on Russia's periphery (or anywhere in the world) will be guaranteed partners during future operations. As past experience has clearly shown, access and support will be granted when interests align and will be denied when they diverge. However, in less clear-cut situations, governments can be persuaded with the proper policy instruments. **Russian interests and perceptions of Russo-U.S. relations will influence the decisions of Russia's neighbors to cooperate with the United States.** If Russia and the United States are seen as mutually hostile, such decisions will be seen as a choice between the two countries. This will make some coun-

tries less likely to work with the United States and potentially increase the expectations of U.S. “partnership” on the part of those that do cooperate with Washington. Moreover, if relations between the United States and Russia are not good, Moscow will see Washington’s efforts to cooperate with Russian neighbors as directed against Moscow—and may therefore seek to counter those efforts. Russia’s neighbors would face difficult decisions in such circumstances, and the United States should make it clear that it respects the choices they make. This does not mean that the United States should not seek engagement with these states. It should. It should also encourage these states to develop and maintain the cooperative and healthy relations with Russia they will need for their long-term development and security. The United States should be up front in stating that its friendship is not contingent on specific activities, and that although the United States values cooperation and partnership and will seek to reward it in kind, cooperation with the United States is not tantamount to a security guarantee from Washington. Washington should also make clear that it will not give Moscow a veto over U.S. policy. In the meantime, the U.S. Air Force and other military planners should be prepared for the event that the United States might not gain military access to post-Soviet states or could lose such access where it is currently available. They must consider alternatives well before events might require them.

Washington’s choice of partners among the post-Soviet states sends signals to both Moscow and beyond. When the United States seeks agreements on security cooperation with regimes like that of Uzbekistan’s Islam Karimov, it belies its past statements and actions in support of democracy in the region. These activities also heighten Russian suspicions that the primary U.S. policy goal in this part of the world is to weaken Russian influence. Conversely, efforts to **involve Russia in U.S. dialogues with other post-Soviet states**, particularly in multilateral forums, may help allay Russian suspicions.

The Middle East

In the Middle East, where Russia has been a less active player, Washington has an opportunity to build ties with Moscow through consultation and engagement. These efforts in the Middle East are more

likely to be successful in the near term than similar efforts in states on Russia's borders. Russia's continued involvement in the effort to halt Iran's nuclear fuel enrichment program is positive, even if negotiations are often frustrating for all parties.

The United States may wish to expand on this experience, **working with Russia to explore ways to engage Syria and Iran in efforts to further goals of stability and security in Iraq.** Russia has solid relations with both countries and may welcome a chance to play a role in stabilizing what it sees is a dangerous situation. It should be remembered, however, that Russian fears of U.S.-Iranian rapprochement may place some limits on the art of the possible. Russia could also be asked to play a broader consultative role in Afghanistan, although the Afghans would almost certainly oppose deployment of Russian troops. Some Russian analysts have commented privately that they were frustrated by Washington's failure during the planning and implementation of Operation Enduring Freedom to discuss in more depth with Russian specialists their country's own experience in Afghanistan.⁴

Europe

The EU, its member states, and Turkey will remain some of Russia's most important foreign policy priorities for the foreseeable future. The United States can act as a spoiler or facilitator of Russia's relations with the EU and individual European states. The European states have a strong interest in cordial ties and strong economic links with Russia. Their interest in a freer Russian economy and polity is even deeper than that of the United States. Unlike the countries of Russia's "Near Abroad," the European states have stable political systems and almost all of them are part of NATO. **The United States and its European partners should consult each other about and coordinate their policies toward Russia, but the U.S. role in relations between Russia and the EU and the individual European states should not be artificially exaggerated.** Much might be gained if Washington were to **consult with Moscow within the European framework**, as another

⁴ Author discussions with Russian and Russia-based specialists and analysts, Russia, 2002–2008.

capital in sets of talks with key European partners in Brussels, London, Paris, Berlin, and Ankara.

NATO is another important mechanism through which the United States can work with its allies to develop common approaches toward Russia and Russia's non-NATO neighbors. Certainly, Russia cannot have a veto over U.S. or NATO policies in the region or elsewhere. However, efforts to counter Russia should not become a focus of NATO policy, lest they bring about the very dangers they seek to avert. Future NATO enlargement decisions must be made in line with NATO's security interests and the contributions prospective members can make to the alliance. Consultation with Russia through the NATO-Russia Council can have great value, and efforts should be made to reenergize that forum.

Energy Policies

Economics and geography point to a large continued role for Russia in supplying oil and gas to the EU and serving as a transit country for Central Asian suppliers. However, it is not clear that Russia has the upper hand in energy trade with Europe. A number of countries supply gas to the EU, which is by far Russia's most important customer. Russia is not a monopoly supplier, but the EU is in effect a monopsonistic buyer.

Because exports of energy are so important to Russia, long-standing U.S. policies advocating pipelines from Central Asia that circumvent Russia have been contentious. The United States does not purchase Russian gas and purchases minimal amounts of Russian oil. Russia also views as hostile U.S. efforts to encourage European countries to diversify their sources of natural gas by supporting alternative pipeline routes that circumvent Russia.

The United States can make modest adjustments to current policies in this realm that would buy Russian goodwill. It can do this by examining the costs and efficacy of its current pipeline policies to decide how aggressively they should be pursued in the future. We believe that much could be gained if the U.S. government **took care not to pressure (or be viewed as pressuring) international energy companies and European and Central Asian states to examine pipeline proj-**

ects that they would not otherwise pursue. The energy lever has not proved itself very useful to Russia vis-à-vis its gas customers, and the United States would be better served by not exaggerating the lever's importance.

If the United States were to adopt a hands-off policy concerning pipelines, the Russian government would have to examine its own tactics and possibly adjust them. If foreign energy companies and Russian neighbors clearly chose routes outside of Russia because of the difficulties they encountered while trying to negotiate with the Russian government and energy companies, rather than because of U.S. pressure (or a perception thereof), Russia would face significant incentives to change its approaches.

Missile Defense

Missile defense is another contentious issue where the United States and Russia may find room to cooperate. For example, the United States should **pursue its NMD program in ways that are more transparent to Russia. It should seek to cooperate with Russia, when useful, on technologies, radar coverage, and other issues affecting missile defense.**

U.S. Air Force organizations and key personnel will necessarily continue to play an important role in U.S. Department of Defense (DoD) efforts to think through options for national and theater missile defense, how these systems could be developed to mitigate Russian concerns while meeting U.S. objectives, and how to engage Russia on these issues.

The U.S. government should explicitly recognize Russia's very specific fears about the implications of U.S. missile defense systems for its nuclear deterrent. Consultations with Russia regarding all aspects of U.S. programs and goals, including **sharing substantial amounts of information**, could go a long way toward allaying Russia's concerns. **Working with Russia to utilize the radar site in Gabala, Azerbaijan**, as suggested by Putin in June 2007, could be one aspect of such a policy. Even if this radar has limited utility for U.S. systems, the foreign policy benefits of seeking ways to use this radar, even if only to lay the groundwork for future cooperation, could be large. Discussions of Rus-

sian observers at the Polish and Czech sites and formal limits on U.S. systems are also steps in the right direction if plans for those sites move forward. The United States should expect, however, that it will continue to have a difficult time convincing Russia that U.S. missile defense systems are not aimed against it. However, the more the United States and Russia share information and discuss missile defense systems, and the more open the United States is to finding ways to respond to Russia's worries, the less likely that those worries will turn into hostility.

Arms Control

The U.S. government should offer to open talks about a follow-on arms control treaty to START I. Arms control talks present one of the greatest near-term opportunities for cooperation. Russia is interested in arms control because sitting at a negotiating table with the United States enhances its prestige and because it wishes to maintain numerical nuclear parity with the United States, something that is unlikely without a new treaty. During the Cold War, Soviet-U.S. arms control talks laid the groundwork for cooperation in other areas. Moreover, nuclear arms control is one of the few policy areas where Russian and U.S. priorities are likely to easily align.

A follow-on to START I could be of great mutual benefit to both countries. It could enable both countries to make substantial cuts in force sizes, thereby reducing costs. A new verification system, or an adaptation of the old one, should be sufficiently intrusive that Russia does not feel that it is losing the access it had through the START I mechanism. U.S. unwillingness to accept verification is seen in Russia as a sign of questionable intent. The United States, having accepted these verification approaches for many decades, should be willing to continue to live with them so as to reassure Russia.

Russia would also welcome **a new look at the INF**. The United States is satisfied with the current treaty, but responding to Russian interests and concerns may make it possible to identify trade-offs in other policy areas. **Openness on the broad range of arms control issues** in a collaborative framework may induce Russia to discuss reinstating or modifying the CFE. **Talks on the CFE and nuclear issues could be coordinated with engagement on missile defense to help**

ease Russian concerns. Good treaties can provide substantial benefits to both parties. The negotiations themselves could also improve the overall tenor of the relationship.

The U.S. Air Force is already playing an important role in the development of U.S. government approaches to all of these arms control issues and to continued engagement with Russia on space arms control, nuclear testing, chemical and biological weapons, cluster munitions, and the broad range of arms control issues the two states discuss in bilateral and multilateral forums. Because future arms control agreements with Russia could have significant implications for the U.S. nuclear force posture, including the U.S. Air Force's nuclear force posture, U.S. Air Force interests are involved. The U.S. Air Force will continue to be a crucial actor in any reassessment of U.S. nuclear force needs and approaches and how these may change as Russian posture changes. It will also, of course, remain involved in preparation for and implementation of negotiations themselves.

Military Contacts and Engagement

Military-to-military contacts are an important part of Russo-U.S. relations in and of themselves and because they can facilitate the achievement of other U.S. policy goals. The "incidents at sea talks" during the Cold War made arms control talks with the Soviet Union possible. Military-to-military contacts, particularly those at higher levels, enhance Russia's prestige and should be pursued for the entrée they provide to Russia's military. **The U.S. Air Forces in Europe and the U.S. Air Force as a whole are crucial actors in high-level visits from senior Russian military leaders**, visits the Russian military leadership appears to value. Personal contacts at all levels will also help the two states better understand each another's concerns and approaches. Lower-level contacts may build understanding and ties between soldiers and junior officers, but lower-level contacts and exercises will not take place without the high-level meetings.

In building partnerships, it is important to understand that Russian military reform is progressing, and that this should change, in some ways, the mechanisms of engagement. The U.S. Air Force, for example, should consider the implications of a Russian Air Force in

which Russian pilots receive considerably more air time and renew long-range patrols on a regular basis. These developments will make Russia a different sort of partner in multinational operations than it might have been expected to be in the past. Appropriate engagement of the Russian Air Force can help ensure that any future cooperation is built on mutual understanding and respect.

Military contacts can take a variety of forms, including bilateral and multilateral high-level exchanges, exercises, training, education, workshops, and seminars. Given Russia's development and desire to demonstrate its capacity, it will be important to **review U.S. approaches to ensure that they take the form of collaborative efforts, and are not portrayed as U.S. assistance.** Russia has an interest in the former, but will be insulted by the latter. Existing frameworks (such as Open Skies) are models for effective routine engagement, and other avenues should be explored. For example, the U.S. Air Force could consider engaging in operator-to-operator talks with the Russian Air Force. These talks would enable officers to meet and exchange experiences and ideas and have been useful in developing relations between the U.S. Air Force and other air forces in an atmosphere where everyone can learn and benefit. International Armaments Cooperation, in which countries discuss R&D and acquisition approaches, is also an area to explore further with Russia.

The U.S. Air Force can also take steps to think creatively about how to work with Russia elsewhere. For instance, it could involve Russia in some of its global training efforts, particularly in countries where Russian or Soviet-made aircraft are in common use.

Russia should also continue to be invited to participate in a broad range of military exercises, particularly ones held between its neighbors and the United States. Invitations to participate in exercises will increase transparency and ease concerns that the United States, and its relations with Russia's neighbors, are hostile toward Russia. If the Russians take part, exercises could actually promote cooperation in other spheres among Russia, its neighbors, and the United States.

Candidate events and programs include the following:

- **The Building Partner Capacity Unified Engagement Seminar Series**, a U.S. Air Force collaboration with the component commands that involves a tabletop scenario exercise. Many Eastern European countries have already been involved.
- **National Guard Bureau for International Affairs State Partnership Program exercises in Ukraine, and the U.S. Central Command Regional Cooperation exercises in Central Asia.**
- **The Flexible Response consequence management exercise**, a U.S. European Command and U.S. Air Forces in Europe (USAFE) exercise that currently includes seven countries.

Aside from the direct benefits of involvement, Russian engagement in such events might give the Russians the opportunity to showcase a range of their own capabilities, including casualty evacuation and combat search and rescue.

A Broad Cooperative Agenda

The United States should also think creatively about engaging Russia in other areas. As Russia becomes stronger and seeks a bigger role globally, it may become more involved in **international economic development (including the global response to the current downturn), climate change, and other social, health care, and environmental issues**. The United States and Russia should discuss and coordinate policies on issues and countries where both are active, bilaterally and through multilateral forums. Russia and the United States have already been engaged cooperatively in outer-space cooperation and issues, a partnership that should be maintained and expanded. (This is an area where the U.S. Air Force has an important role.)

Much of any effort to improve relations with Russia comes down to discussions and consultations. Russia, like many other states, has complained that in recent years the United States informs other countries of its plans, but does not seek input prior to making a decision, thus creating ill-feeling. A **permanent consultative mechanism at the highest levels** would serve as a clearinghouse for such issues and contribute to Russia's prestige goals by demonstrating its global status as a U.S. partner. The model for such a mechanism could be the Gore-

Chornomyrdin Commission of the mid-1990s. Although not always successful, this mechanism allowed each country to raise key issues before decisions were made and broadcast. Such consultations did not imply a veto; they merely guaranteed a chance for the other party to be heard. A new mechanism based on this model and developed both to address existing areas of concern and develop new spheres of cooperation could do a great deal to improve Russo-U.S. relations. Such a commission would also help ensure a certain amount of Russian buy-in to U.S. policies vetted through that mechanism.

Legislation and Regulatory Changes

Russian leaders have long been angered at the persistence of the **Jackson-Vanik Amendment**. This legislation initially denied the Soviet Union most favored nation trade status because of the country's restrictions on emigration. The restrictions are long gone, but the amendment remains in force vis-à-vis Russia, requiring an annual waiver to maintain normal trade between Russia and the United States. Russia's formal "graduation" from the amendment has been delayed as a result of concerns that the country has not made sufficient progress toward democracy. There is much to worry about in that sphere, but **Russia has fulfilled the requirements of the original legislation**. It is inappropriate to continue to use this amendment for a very different purpose.

The U.S. government should also make it easier (and cheaper) for Russians to obtain a U.S. visa. For Russians, the process of applying for and obtaining a visa to the United States is onerous, expensive, and time-consuming. This is a pity. Difficulties in obtaining a visa to the United States breed hostility toward the United States. In contrast, easier access to Europe may have improved the standing of European countries in Russians' eyes.

Democratization

Rethinking how the United States can best effect political change and improve human rights in Russia and other states may also be in order. The idea that the United States offers an exemplary form of governance has suffered setbacks in the wake of the Abu Ghraib revelations and congressional debate on torture, which have provoked global condem-

nation. **Criticism by senior U.S. officials of the Russian government has had limited impact at best.** Private and public support for grassroots movements appears to have been more effective. In today's atmosphere of distrust of the United States in Russia, direct U.S. government support for NGOs and other groups in Russia has become more difficult and possibly less effective. New approaches could be explored, but the United States must also determine its policy priorities and approaches if efforts to encourage Russia toward greater pluralism continue to fail.

Managing Discord

Even if the U.S. government makes a concerted effort to improve relations, Russia's goal of demonstrating and cementing its standing on the world stage will lead to acrimony, especially when Russia opposes specific U.S. policies. Russia will continue to oppose U.S. actions that it sees as destabilizing, such as efforts to spread democracy. It will try to work with partners, be they China, Iran, or European countries, to counter aspects of U.S. influence. It will probably continue to try to use energy as a foreign policy tool, even though energy cutoffs have been of limited utility. It may again use force to pressure states on its periphery.

Russian leaders will also continue to criticize U.S. policies in international forums. Russian views of and policies toward Iran will continue to differ from those of the United States. Decisionmaking in Russia will continue to be opaque. Domestic political needs to appease competing elite groups will introduce confusion about Russia's true interests and goals. All of this will be frustrating to U.S. policymakers. Fundamentally, for a long time to come, the United States will have to be the one to instigate efforts to improve bilateral relations. It will face Russian recalcitrance in the face of those efforts.

What policies should the United States adopt if Russia proves entirely unwilling to cooperate? In areas relating to efforts to affect Russia's domestic policies, the U.S. government may be most effective if it lets **the EU and its member states take the lead.** By staying in the

background, the United States can allay Russian concerns that the U.S. government is trying to drive a wedge between Russia and Europe. A European lead would also drive home to the Russian government that "sovereign democracy" is not an accepted alternative to real democracy in the developed world.

More broadly, if efforts at rapprochement appear to be floundering, the United States may need to devise strategies to deal with the transnational threats agenda that identify ways to compensate for a lack of cooperation from Russia. Policies toward Iran and North Korea, for example, may need to be adjusted in light of an uncooperative Russia. The U.S. government also may need to reassess its nuclear strategies and policies in the face of an unfriendly, if unthreatening, Russia. This can be done in concert with a continued effort to revive nuclear arms control discussions to help ensure that neither country's insecurities about the other increase the risks of nuclear war. If Russia decides not to pursue arms control, the United States will need to think about how to structure and align its own arsenal to minimize the risk of conflict. A U.S. force posture seen by Russia as offensive and hostile could lead Russia, in turn, to build up its capacity to strike the United States. This outcome is in no one's best interests.

One of the greatest challenges in working with a recalcitrant Russia will be U.S. and NATO relations with Russia's neighbors. Here, the United States will face key choices. If Russia is unwilling to cooperate, and continues to see U.S. involvement in the region as hostile, the countries that pursue ties with the United States and NATO may be at risk. They will be at less risk, however, if, like Kyrgyzstan and Kazakhstan, they simultaneously pursue improved ties with Russia. Thus, even in the face of Russian hostility, Washington should encourage its post-Soviet friends to maintain the best possible relations with Moscow. Fundamentally, Russian interests in the region are more vital than those of the United States, and the region is more of a priority for Russia. As discussed, the United States must work with these countries to maintain good relations in ways that limit, rather than feed, Russian hostility.

This has even more-significant implications for the U.S. military's presence in and access to the region. If Russo-U.S. relations deterio-

rate, access is likely to become even more difficult. Thus, even more so than in a more benign environment, the U.S. Air Force and DoD more broadly should consider alternatives as they develop access strategies in this part of the world. Various options may prove impossible to attain or sustain, so backup and contingency planning can make an important difference.

It would also behoove U.S. Air Force planners and others to continue to keep an eye on Russia's aerospace industry. Developments in technology and capacity, for both Russia's own domestic capabilities and the export market, will be of interest to planners. This is true even if relations improve.

Perhaps most importantly, even if Russia does not wish to be cooperative, the U.S. government should focus on preventing the relationship from becoming adversarial. Thus, the U.S. government should also publicly and consistently communicate that it does not see Russia as an adversary. The U.S. Air Force's measured responses to the resumption of Russian Bear-H flights have neither fed Russian perceptions of enmity nor insulted Russia's attempts to exercise its fleet after years of limited activity. The combination of respect, calm, and normalcy adopted by the U.S. Air Force is a model for how developments, hostile or otherwise, should be handled in the future. Lest the United States create a self-fulfilling prophecy, Russia should not be treated as presenting a security threat that it does not, in fact, pose.

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